# VERMONT ECONOMIC DEVELOPMENT AUTHORITY

## (A Component Unit of the State of Vermont)

## Financial Statements
## with Supplementary Information

## as of and for the Years Ended
## June 30, 2015 and 2014

## (and Report of Independent Auditors')

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**VERMONT ECONOMIC DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Vermont)
Financial Statements with Supplementary Information

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## Supplementary Information



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## Report on Management's Responsibility

September 18, 2015

Management is responsible for the preparation, integrity and objectivity of this report, the *Financial Statements with Supplementary Information* of the Vermont Economic Development Authority ("VEDA" or the "Authority"). The report was prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), applying certain estimates and judgments as required.

The Authority's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established policies and procedures and are implemented by trained, skilled personnel. The Authority's employment policy prescribes that VEDA and all of its employees maintain the highest ethical standards and that its business practices be conducted in a manner that is above reproach.

KPMG LLP, independent auditors, is retained to audit the Authority's financial statements. Their accompanying report is based on an audit conducted in accordance with auditing standards generally accepted in the United States of America, which include consideration of the Authority's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied.

The Members of the Authority fulfill their responsibility for these financial statements through the Authority's Audit Committee, which is comprised of a subset of its Members. The Audit Committee meets periodically with the independent auditors, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters.

The undersigned management of the Authority certify to the accuracy and completeness of the information contained in these *Financial Statements with Supplementary Information* and to the maintenance and effectiveness of disclosure controls and procedures.

Rosalea W. Bradley, Chief Executive Officer

David E. Carter, Chief Financial Officer

**KPMG LLP**
Suite 400
356 Mountain View Drive
Colchester, VT 05446

## Independent Auditors' Report

The Members of the Authority
Vermont Economic Development Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority (the Authority), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Vermont Economic Development Authority, as of June 30, 2015 and 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Burlington, Vermont
September 18, 2015

Vt. Reg. No. 92-0000241

## *Introduction*

The Vermont Economic Development Authority ("VEDA" or the "Authority") is an instrumentality of the State of Vermont (the "State") whose purpose is to promote economic development in Vermont by providing various forms of financial assistance to commercial and agricultural enterprises. VEDA serves a wide spectrum of economic sectors including: manufacturing, agriculture, travel and tourism, technology and other services including not-for-profits.

The *Financial Statements with Supplementary Information* consist of three main parts: management's discussion and analysis ("MD&A"); the basic financial statements which provide both short-term and long-term information about the Authority's overall financial status; and the notes to the financial statements which are an integral part of the report as they provide additional explanation and more detailed information regarding the amounts in the basic financial statements and other significant aspects of the Authority's operations. The *Supplementary Information* includes combining financial statements on the Authority's Non-Major Funds and two of VEDA's component unit corporations where certain funds are presented discretely.

## *The Basic Financial Statements*

There are three statements that comprise the basic financial statements. The ***Statement of Net Position*** presents information on the Authority's assets and liabilities with the difference between the two reported as Net Position (also referred to as capital or equity). This statement is presented as of the Authority's year end, June 30.

The ***Statement of Revenues, Expenses and Changes in Net Position*** reports operating revenues and expenses incurred in the normal course of business (operating income or loss) plus non-operating revenues and expenses such as non-exchange transactions including federal grants, transfers between entities and other transactions of an unusual or non-recurring nature.

The ***Statement of Cash Flows*** reports on the sources of changes in cash and cash equivalents for the year. Activities that effect the changes in cash are grouped into four categories: (1) operating activities; (2) non-capital financing activities (debt and non-operating related activities); (3) investing activities; and (4) capital related financing activities (purchase and financing of capital assets).

## *Special-Purpose Entity*

Governmental Accounting Standards Board ("GASB") pronouncements define entities like VEDA as a special-purpose governmental entity that is engaged in business type activities. As such, VEDA has many characteristics of a for-profit enterprise. The business type activity with characteristics most similar to VEDA is that of a commercial bank. For this reason, **Table 2** presents amounts from the *Statement of Revenues, Expenses and Changes in Net Position* in a format typical for commercial banks. In this format, revenue from cash and investments is added to loan receivable interest and interest expense is subtracted to arrive at a subtotal caption "Net Interest Income". The changes in Net Interest Income are discussed in a special section of the MD&A and presented using analytic techniques found in the MD&A section of many financial institutions (refer to **Tables 4-7). Table 11** in the section titled *Credit Risk Management* presents, as benchmarks, loan loss and allowance for loan loss data for commercial banks regulated by the Federal Deposit Insurance Corporation (FDIC). **Table**

*Dollar Amounts in Thousands*

**12** in the section titled *Asset-Liability Management* is also a presentation used in the MD&A of many financial institutions.

## *Statement of Net Position: Comparison 2013 to 2014 and 2014 to 2015*

**Table 1** compares the Statement of Net Position of VEDA for years ending 2013-2015.

| **Table 1: Statement of Net Position** | | | | **2013 to 2014** | | **2014 to 2015** | |
|---|---|---|---|---|---|---|---|
| ***Fiscal Years*** | **2013** | **2014** | **2015** | ***Chg $*** | ***Chg %*** | ***Chg $*** | ***Chg %*** |
| Cash and investments | $ 30,830 | $ 40,534 | $ 37,170 | $ 9,704 | 31% | ($ 3,364) | -8% |
| Loans receivable | 176,928 | 192,538 | 209,606 | 15,610 | 9% | 17,068 | 9% |
| Allowance for loan losses | (5,642) | (5,942) | (6,988) | (300) | 5% | (1,046) | 18% |
| Capital assets | 5,480 | 5,894 | 5,622 | 414 | 8% | (272) | -5% |
| Other assets | 1,010 | 1,438 | 1,587 | 428 | 42% | 149 | 10% |
| **Total Assets** | **$ 208,606** | **$ 234,462** | **$ 246,997** | **$ 25,856** | **12%** | **$ 12,535** | **5%** |
| Commercial paper | $ 131,300 | $ 145,500 | $ 145,700 | $ 14,200 | 11% | $ 200 | 0% |
| Notes payable | 26,075 | 22,446 | 34,889 | (3,629) | -14% | 12,443 | 55% |
| Other liabilities | 2,661 | 11,877 | 7,579 | 9,216 | 346% | (4,298) | -36% |
| **Total Liabilities** | **$ 160,036** | **$ 179,823** | **$ 188,168** | **$ 19,787** | **12%** | **$ 8,345** | **5%** |
| Restricted net position | 26,757 | 26,954 | 26,374 | 197 | 1% | (580) | -2% |
| Net investment in capital assets | 2,610 | 3,154 | 3,047 | 544 | 21% | (107) | -3% |
| Unrestricted net position | 19,203 | 24,531 | 29,408 | 5,328 | 28% | 4,877 | 20% |
| **Total Net Position** | **$ 48,570** | **$ 54,639** | **$ 58,829** | **$ 6,069** | **12%** | **$ 4,190** | **8%** |

**Total assets** increased $12,536 in 2015, which followed an increase in total assets of $25,856 in 2014. The primary reason for the increase in total assets in 2015 and 2014 was the change in loans receivable. The increase in outstanding loans receivable of $17,068 and $15,610 in 2015 and 2014, respectively was funded primarily by an increase in the Authority's debt. In 2015, an increase of $12,443 was primarily the result of an increase in the Authority's line of credit note payable of $12,000 (Note 6). In 2014, an increase in commercial paper of $14,200 funded most of the loans receivable increase (Note 5).

**Allowance for loan losses** are discussed in detail under the heading *Credit Risk Management* and in Note 4 of the financial statements.

**Capital assets** decreased by $272 in 2015 due to capital asset purchases of $90, offset by depreciation of $362. In 2014 capital assets increased by $414 due to capital asset purchases of $746 offset by depreciation of $332. Capital expenditures in 2015 were primarily for equipment, software and furniture. In 2014, capital expenditures included a complete renovation of the smaller 56 East State Street building as well as leasehold improvements, furniture and fixtures for the expanded Burlington office.

*Dollar Amounts in Thousands*

**Other assets** increased by $149 in 2015 due primarily to an increase in prepaid expenses and amounts due from the State. The increase of $428 in 2014 was primarily the result of a $393 "Receivable from State of Vermont" related to an allowance for loss on contingent liabilities recorded in the Mortgage Insurance Program (Note 10).

**Other liabilities** decreased $4,298 in 2015 due primarily to a decrease in unearned revenue $4,364 related to the federal grant (Note 14). The increase of $9,216 in 2014 was due to a combination of a $5,500 addition to "Other Liability – State of Vermont" (Note 12, "Advances") and an increase in "Unearned revenue for federal program" of $4,382 (Note 14).

**Total Net Position** increased by $4,190 in 2015 the result of $4,594 of non-operating income (primarily related to revenue from the federal grant) offset by an operating loss of $397. In 2014, the increase in Net Position of $6,069 was due almost entirely to a like amount of non-operating revenue that was primarily comprised of federal grant revenue and non-operating revenues from the State.

## *Statement of Revenues, Expenses and Changes in Net Position: Comparison of 2013 to 2014 and 2014 to 2015*

**Table 2** shows the change in net position (results of operations) in each of the past three fiscal years and details the amount and percent of change from 2013 to 2014 and from 2014 to 2015.

| **Table 2: Revenues, Expenses & Changes in Net Position** | | | | **2013 to 2014** | | **2014 to 2015** | |
|---|---|---|---|---|---|---|---|
| ***Fiscal Years*** | **2013** | **2014** | **2015** | ***Chg $*** | ***Chg %*** | ***Chg $*** | ***Chg %*** |
| Cash and investment revenue | $ 479 | $ 504 | $ 597 | $ 25 | 5% | $ 93 | 18% |
| Loans receivable interest | 5,568 | 6,320 | 6,942 | 752 | 14% | 622 | 10% |
| less interest expense | 1,913 | 1,766 | 1,642 | (147) | -8% | (124) | -7% |
| **Net Interest Income** | **$ 4,134** | **$ 5,058** | **$ 5,897** | **$ 924** | **22%** | **$ 839** | **17%** |
| Add other revenues | 974 | 952 | 997 | (22) | -2% | 45 | 5% |
| Net increase (decrease) in fair value of investments | 867 | 1,325 | (133) | 458 | 53% | (1,458) | -110% |
| Less provision for loan losses | 911 | 1,747 | 1,727 | 836 | 92% | (20) | -1% |
| Less losses on insured loans | 23 | 393 | 0 | 370 | 1609% | (393) | -100% |
| **Less All Other Expenses:** | | | | | | | |
| Staff salaries and benefits | 3,142 | 3,152 | 3,484 | 10 | 0% | 332 | 11% |
| Professional fees | 512 | 671 | 529 | 159 | 31% | (142) | -21% |
| Office and administrative | 791 | 1,035 | 1,063 | 244 | 31% | 28 | 3% |
| Depreciation | 255 | 332 | 362 | 77 | 30% | 30 | 9% |
| **Total All Other Expenses** | **4,700** | **5,190** | **5,438** | **490** | **10%** | **248** | **5%** |
| **Operating Income (Loss)** | **$ 341** | **$ 5** | **($ 404)** | **($ 336)** | **-99%** | **($ 409)** | **-8180%** |
| Non-operating revenues | 3,293 | 6,064 | 4,594 | 2,771 | 84% | (1,470) | -24% |
| **Change in Net Position** | **$ 3,634** | **$ 6,069** | **$ 4,190** | **$ 2,435** | **67%** | **($ 1,879)** | **-31%** |

*Dollar Amounts in Thousands*

In 2015, VEDA recorded a change in net position (i.e. net income) of $4,190 compared to a change in net position of $6,069 in 2014 and compared to a change in net position of $3,634 in 2013. The change in net position in both 2015 and 2014 were primarily the result of non-operating revenue as discussed in the "Total Net Position" above.

**Net Interest Income** (also referred to as Net Interest Margin) is the core of the Authority's operations. It changes year to year based on changes in yields and costs and also changes in the average balance of cash and investments, loans receivable, and debt outstanding during the year. These changes are analyzed in detail under the heading *Changes in Net Interest Income.*

**Other Revenues** are comprised primarily of fees paid by borrowers, rental income, and fees for servicing non-VEDA programs. Other Revenues increased by $45 in 2015, due primarily to an increase in borrower loan fees of $134 offset by a decline in service fees. Other Revenues in 2014 decreased by $22 due primarily to a decrease in borrower loan fees offset by a recovery of $41 related to a prior period Mortgage Insurance Program loss.

**Table 3** details the **net change in the fair value of investments,** including unrealized and realized gains and losses. Fair values of investments can fluctuate significantly year to year due to changes in interest rates, economic factors and the credit risk associated with investment issuers.

| **Table 3: Change in Fair Value of Investments** | | | | **2013 to 2014** | | **2014 to 2015** | |
|---|---|---|---|---|---|---|---|
| ***Fiscal Years*** | **2013** | **2014** | **2015** | ***Chg $*** | ***Chg %*** | ***Chg $*** | ***Chg %*** |
| Unrealized gains (losses) | $ 481 | $ 236 | $ 94 | $ (245) | -51% | $ (142) | -60% |
| Realized gains (losses) | 386 | 1,089 | (227) | 703 | 182% | (1,316) | -121% |
| **Net Change in Fair Value** | **$ 867** | **$ 1,325** | **($ 133)** | **$ 458** | **53%** | **($ 1,458)** | **-110%** |

In 2014, VEDA sold its professionally managed investment portfolio and invested the proceeds in a mix of mutual funds whose underlying securities mirror various market indices (Note 3).

**Provision for loan losses** in 2015, were $20 below the 2014 level. In 2014, loan loss provisions totaled $1,747 and represented a significant increase over the $911 of loan loss provisions in 2013. More detailed information regarding loan loss provisions and the changes in the allowance for loan losses ("reserves") can be found in this section under the heading *Credit Risk Management* and in Note 4 to the basic financial statements.

**Losses on insured loans** are related to losses in the Mortgage Insurance and Financial Access Programs and are backed by a full faith and credit pledge of the State (Note 10).

**All other expenses** increased $248 or 5% in 2015 compared to an increase of $490 or 10% in 2014. The components are discussed in more detail below:

**Staff salaries and benefits** in 2015 increased $332, or 11% due primarily to the addition of four new staff to originate and service loans. After adjusting for the new staff, staff expense in 2015 would have increased 4%. In 2014 staff expenses were essentially flat with the 2013 levels, but this was due to changes related to healthcare costs and employee health savings accounts; excluding these changes, staff salaries and benefits would have increased 2.2% in 2014.

*Dollar Amounts in Thousands*

**Professional fees** in 2015 decreased $142, or 21% due to a reduction in legal expense plus the recovery of some prior period collection costs. In 2014, Professional fees increased $159 or 31% due to increases in consulting and collection expenses.

**Office and administrative expenses** increased $28 or 3% due primarily to increases in information technology and marketing offset by declines in occupancy and other expenses. In 2014, office and administrative expenses increased $244 or 31% with the most significant increases coming in information technology, rent, and marketing expenses.

## *Changes in Net Interest Income: 2014 To 2015*

**Table 4** sets forth information regarding the total dollar amount of interest income earned on interest earning assets (excluding the change in fair value) and the resultant average yields; and the total dollar amount of interest expense on interest bearing liabilities and the resultant average cost. Information is based on average monthly balances.

**Table 4: Average Balance and Yield/Cost Comparison, 2014 to 2015**

*(Table excludes Net Increase in Fair Value)*

| Interest Earning Assets and Interest Bearing Liabilities | 2014 Average Balance | 2014 Income or Expense | 2014 Yield or Cost | 2015 Average Balance | 2015 Income or Expense | 2015 Yield or Cost | Income or Expense Change |
|---|---|---|---|---|---|---|---|
| Interest earning assets and income: | | | | | | | |
| Cash and investments | $ 37,042 | $ 504 | 1.36% | $37,916 | $ 597 | 1.57% | $ 93 |
| Loans receivable, net of allowance | 180,982 | 6,320 | 3.49% | 203,846 | 6,942 | 3.41% | 622 |
| **Total interest earning assets** | **$ 218,024** | **$ 6,824** | **3.13%** | **$ 241,762** | **$ 7,539** | **3.12%** | **$ 715** |
| Interest bearing liabilities and expense: | | | | | | | |
| Notes payable | $ 28,206 | $ 343 | 1.22% | $30,718 | $ 461 | 1.50% | $ 118 |
| Commercial paper | 136,980 | 1,423 | 1.04% | 145,329 | 1,181 | 0.81% | (242) |
| **Total interest bearing liabilities** | **$ 165,186** | **$ 1,766** | **1.07%** | **$ 176,047** | **$ 1,642** | **0.93%** | **$ (124)** |
| **Net Interest Income** (and as % of earning assets) | | **$ 5,058** | **2.32%** | | **$ 5,897** | **2.44%** | **$ 839** |

**Table 4** indicates the average yield on earning assets decreased from 3.13% in 2014 to 3.12% in 2015. The average cost of interest bearing liabilities decreased from 1.07% in 2014 to 0.93% in 2015.

*Dollar Amounts in Thousands*

**Table 5** sets forth information regarding changes in interest income and interest expense for 2014 compared to 2015. For each category of interest earning assets and interest bearing liabilities presented in **Table 4**, information is presented in **Table 5** with respect to: (1) Change in rate (change in rate multiplied by prior year average balance); (2) Change in balance (change in average balance multiplied by prior year rate); and (3) Change in rate/balance (change in rate multiplied by change in average balance).

### Table 5: Change in Net Interest Income From 2014 to 2015

*(Table excludes Net Increase in Fair Value)*

| For Year Ended June 30, 2015 and 2014 Increases (Decreases) Due To Changes In: | Rate | Average Balance | Rate/ Balance | Total |
|---|---|---|---|---|
| Income on interest earning assets: | | | | |
| Cash and investments | $ 80 | $ 12 | $ 2 | $ 94 |
| Loans receivable, net of allowance | (156) | 798 | (20) | 622 |
| **Total income on interest earning assets** | **(76)** | **810** | **(18)** | **716** |
| Expense on interest bearing liabilities: | | | | |
| Notes payable | 80 | 31 | 7 | 118 |
| Commercial paper | (310) | 87 | (19) | (242) |
| **Total expense on interest bearing liabilities** | **(230)** | **118** | **(12)** | **(124)** |
| **Changes in net interest income** | **$ 154** | **$ 692** | **$ (6)** | **$ 840** |

The increase in *Total Income on Interest Earning Assets* of $716 in 2015 compared with 2014 can be seen in **Table 5** as being due to an increase in average balances ($810), offset by a small decline in rates ($76). The decrease in *Total Expense on Interest Bearing Liabilities* of $124 in 2015 was due to lower rates ($230) offset by higher average balances ($118).

**Table 6** below sets forth the same information as **Table 4**, but for the fiscal years 2013 and 2014.

### Table 6: Average Balance and Yield/Cost Comparison, 2013 to 2014

*(Table excludes Net Increase in Fair Value)*

| Interest Earning Assets and Interest Bearing Liabilities | 2013 Average Balance | 2013 Income or Expense | 2013 Yield or Cost | 2014 Average Balance | 2014 Income or Expense | 2014 Yield or Cost | Income or Expense Change |
|---|---|---|---|---|---|---|---|
| Interest earning assets and income: | | | | | | | |
| Cash and investments | $ 32,589 | $ 479 | 1.47% | $ 37,042 | $504 | 1.36% | $ 25 |
| Loans receivable, net of allowance | 169,707 | 5,567 | 3.28% | 180,982 | 6,320 | 3.49% | 753 |
| **Total interest earning assets** | **$ 202,296** | **$ 6,046** | **2.99%** | **$ 218,024** | **$ 6,824** | **3.13%** | **$ 778** |
| Interest bearing liabilities and expense: | | | | | | | |
| Notes payable | $ 28,091 | $ 370 | 1.32% | $ 28,206 | $ 343 | 1.22% | $ (27) |
| Commercial paper | 129,800 | 1,543 | 1.19% | 136,980 | 1,423 | 1.04% | (120) |
| **Total interest bearing liabilities** | **$ 157,891** | **$ 1,913** | **1.21%** | **$ 165,186** | **$ 1,766** | **1.07%** | **$ (147)** |
| **Net Interest Income** (and as % of earning assets) | | **$ 4,133** | **2.04%** | | **$ 5,058** | **2.32%** | **$ 925** |

*Dollar Amounts in Thousands*

**Table 7** below presents the same information regarding **Table 6** for 2013 with 2014 as **Table 5** presented relative to **Table 4** for fiscal years 2014 with 2015.

**Table 7: Change in Net Interest Income From 2013 to 2014**
*(Table excludes Net Increase in Fair Value)*

| For Year Ended June 30, 2014 and 2013 Increases (Decreases) Due To Changes In: | Rate | Average Balance | Rate/ Balance | Total |
|---|---|---|---|---|
| Income on interest earning assets: | | | | |
| Cash and investments | $ (35) | $ 65 | $ (5) | $ 25 |
| Loans receivable, net of allowance | 359 | 370 | 24 | 753 |
| **Total income on interest earning assets** | **324** | **435** | **19** | **778** |
| Expense on interest bearing liabilities: | | | | |
| Notes payable | (29) | 2 | 0 | (27) |
| Commercial paper | (194) | 85 | (11) | (120) |
| **Total expense on interest bearing liabilities** | **(223)** | **87** | **(11)** | **(147)** |
| **Changes in net interest income** | **$ 547** | **$ 348** | **$ 30** | **$ 925** |

## *Statement of Cash Flows*

**Table 8** is a cash flow statement that provides important information about how the Authority utilizes the cash flows from its business operations. Operations are grouped by four categories of activities: *Operating Activities* include the disbursing and collecting on loans receivable and paying for operating expenses; *Non-Capital Financing Activities* include proceeds and payments on notes payable and commercial paper, as well as non-operating revenues or expenses*; Investing Activities* are the result of investment purchases and sales; and *Capital Investment Activities include* the purchase and the financing of capital assets and related repayments.

| **Table 8: Statement of Cash Flows** | | | | **2013 to 2014** | | **2014 to 2015** | |
|---|---|---|---|---|---|---|---|
| ***Fiscal Years*** | **2013** | **2014** | **2015** | ***Chg $*** | ***Chg %*** | ***Chg $*** | ***Chg %*** |
| Cash flows provided by or (used for) various activities are presented as positive or (negative) numbers, respectively: | | | | | | | |
| Principal payments received | $ 26,912 | $ 34,231 | $ 30,842 | $ 7,319 | 27% | $ (3,389) | -10% |
| Principal disbursed on loans | (37,525) | (51,288) | (48,592) | (13,763) | 37% | 2,696 | -5% |
| All other operating activities | 2,364 | 2,281 | 2,889 | (83) | -4% | 608 | 27% |
| **Operating Activities** | **$ (8,249)** | **$ (14,776)** | **$ (14,861)** | **$ (6,527)** | **79%** | **$ (85)** | **1%** |
| Non-capital financing activities | 5,041 | 23,619 | 11,394 | 18,578 | 369% | (12,225) | -52% |
| Investing activities | 1,770 | (2,695) | 793 | (4,465) | -252% | 3,488 | -129% |
| Capital investment activities | (441) | (969) | (339) | (528) | 120% | 630 | -65% |
| **Net (decrease) increase in cash and cash equivalents** | **$ (1,879)** | **$ 5,179** | **($ 3,013)** | **$ 7,058** | **-376%** | **($ 8,192)** | **-158%** |

*Dollar Amounts in Thousands*

**Table 8** illustrates how in 2015 and in 2014 the disbursements on loans receivable were greater than the combined principal payments received on loans and the net cash received from all other operating activities (primarily interest and fees collected less operating expenses paid). This need for cash to fund the net outflow for operations resulted in the need for cash provided by borrowings (*Non-Capital Financing Activities*). Cash flows from *Investing Activities* in 2015 were positive (i.e. provided cash for operations), but in 2014 the Authority invested cash rather than withdrawing it from its investment portfolio. In 2015, the Authority spent significantly less ($630) on capital assets (buildings, equipment, etc.) than it did in 2014.

## *Credit Risk Management*

Credit risk is the risk that a borrower will default on the obligation to repay their debts. To provide for this risk the Authority maintains allowances for loan losses ("reserves") on specific loans receivable where a loss is determined to be probable. VEDA also maintains general reserves for future losses not yet identified that are estimated based historical loss experience, economic conditions, industry concentration and expectation of future events that would adversely affect VEDA borrowers.

**Table 9** details the specific and general reserves and the total reserves as a percentage of outstanding loans receivable balances at June 30, 2013, 2014 and 2015.

**Table 9: Specific and General Allowance for Loan Losses ('Reserves') at June 30**

| Total for Years Ending | Total Notes Receivable at June 30: | Specific Reserves at June 30: | General Reserves at June 30: | Total Reserves at June 30: | *Reserves as a % of Total Notes Receivable* Specific | General | Total |
|---|---|---|---|---|---|---|---|
| **2015** | **$ 209,606** | **$ 3,267** | **$ 3,721** | **$ 6,988** | **1.56%** | **1.78%** | **3.33%** |
| **2014** | **$ 192,538** | **$ 2,757** | **$ 3,185** | **$ 5,942** | **1.43%** | **1.65%** | **3.09%** |
| **2013** | **$ 176,928** | **$ 3,130** | **$ 2,512** | **$ 5,642** | **1.77%** | **1.42%** | **3.19%** |

The Authority's reserves at June 30, 2015 totaled $6,988 or 3.33% of outstanding loans receivable. This compares to an allowance of $5,942 or 3.09% of outstanding loans receivable at the end of 2014 and to an allowance of $5,642, or 3.19% of the outstanding loans receivable at the end of 2013. Changes in the allowance are due to provisions for losses combined with loans that have been charged-off against the reserves (net of any recoveries). More detail on the changes in the reserves can be found in Note 4 of the financial statements.

Integral to VEDA's mission is the challenge of meeting its economic development objectives while maintaining a prudent level of credit risk. Provisions for loan losses as a percentage of average outstanding loans is one measure of credit risk. **Table 10** below shows this ratio for the past three fiscal years plus the rolling three and ten year averages:

**Table 10: Loan Loss Provisions as a Percent of Average Outstanding Loans**

| For Fiscal Year(s) Ending | Fiscal Year 2015 | Fiscal Year 2014 | Fiscal Year 2013 | 3 Year Average | 10 Year Average |
|---|---|---|---|---|---|
| **Loan Loss Provisions as a % of Outstanding Loans** | **0.86%** | **0.95%** | **0.53%** | **0.78%** | **0.66%** |

*Dollar Amounts in Thousands*

As a benchmark for how VEDA's loan losses and reserves compare to commercial banks, **Table 11** presents the same allowance for loan loss and loan loss provision ratios in **Table 9** and **Table 10** for all commercial banks and commercial banks with assets between $100,000 and $500,000 that are regulated by the Federal Deposit Insurance Corporation (FDIC). The FDIC data is for the year ending December 31, 2014.

**Table 11: FDIC Commercial Bank Statistics**

| For the year ended December 31, 2014 | All FDIC Commercial Banks | $100,000 to $500,000 in Assets |
|---|---|---|
| Loan Loss Provisions as a % of Outstanding Loans | 0.35% | 0.18% |
| Allowances (Reserves) as a % of Outstanding Loans | 1.50% | 1.54% |

The Authority assumes more risk than commercial banks by accepting many subordinate collateral positions and in some cases lending to borrowers unable to get conventional bank financing.

## *Asset-Liability Management*

Asset-Liability Management is the management of the various risks inherent in financial instruments such as investments, loans and debt. One significant risk is interest rate risk, or the sensitivity of future income to changes in interest rates. Management minimizes market risk primarily by matching the variable characteristics of its loans as closely as possible with the variable characteristics of its underlying debt.

**Table 12** is a "Gap Analysis," and shows the "gap" or the mismatching of assets, liabilities and net position within various time horizons based on the earlier of the next interest rate reset date for variable rate instruments or maturity date:

**Table 12: Gap Repricing/Maturity Analysis**

| Repricing Horizon at June 30, 2015 | Within 3 Months | 3 Months to 1 Year | 1 year to 5 Years | 5 years to 25 Years | Non-Earning Non-Costing | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ 6,329 | $ 0 | $ 0 | $ 0 | $ 0 | $ 6,329 |
| Investments | 37 | 110 | 16,068 | 10,500 | 4,126 | 30,841 |
| Loans receivable | 161,635 | 3,317 | 15,795 | 21,871 | 0 | 202,618 |
| Other | 0 | 0 | 0 | 0 | 7,209 | 7,209 |
| **Total assets** | **$ 168,001** | **$ 3,427** | **$ 31,863** | **$ 32,371** | **$ 11,335** | **$ 246,997** |
| Debt | $ 161,328 | $ 385 | $ 2,358 | $ 16,518 | $ 0 | $ 180,589 |
| Other liabilities & net position | 0 | 0 | 0 | 0 | 66,408 | 66,408 |
| **Total liabilities & net position** | **$ 161,328** | **$ 385** | **$ 2,358** | **$ 16,518** | **$ 66,408** | **$ 246,997** |
| **Repricing "Gap"** | **$ 6,673** | **$ 3,042** | **$ 29,505** | **$ 15,853** | **$ (55,073)** | **$ 0** |

At June 30, 2015, the Authority's "Within 3-Months" repricing gap was a positive $6,673. This means more assets either mature or have interest rates that reset within this period than do liabilities. When more assets than liabilities mature or reprice in a period of rising interest rates, net interest income would increase; conversely, when interest rates decline, net interest income would decrease.

*Dollar Amounts in Thousands*

The combined "Within 3-Months" and "3-Months to 1-Year" repricing gap is $9,715 at June 30, 2015 and was $2,270 at the end of 2014. The increase in this combined repricing gap is related, in part, to $10 million of State debt that, at June 30, 2014, had 4-months remaining until maturity; this debt was refinanced in 2015 to a ten year loan with a five-year fixed-rate (Note 6).

**Table 12** also illustrates the degree to which Management has been successful in matching the amount of debt repricing in any period with the amount of loans receivable repricing in the same period. **Table 12** shows that the $161,328 of debt repricing "Within 3 months" (commercial paper and the line of credit note payable) matches closely to the $161,635 of loans that mature or reprice in same period.

## *Capital Adequacy*

**Table 13** details the Authority's net position, (equity or capital) as a percentage of total assets at June 30, 2015, 2014 and 2013. The Authority must maintain strong net position levels relative to total assets to enable it to borrow at favorable terms in the capital markets.

**Table 13: Net Position as a % of Total Assets**

| *As of June 30:* | VJF | VACC | VSBDC | VEDA |
|---|---|---|---|---|
| **2015** | 29% | 16% | 17% | 24% |
| **2014** | 27% | 17% | 19% | 23% |
| **2013** | 27% | 18% | 19% | 23% |

## *Interest Rate Subsidy Program*

The core of the Authority's business, and the primary source of its total operating revenue, comes from loans receivable interest (interest on loans). VEDA must set the interest rates on its loans at a level that will generate sufficient revenues, when combined with interest on cash and investments and other revenue, to offset the Authority's interest expense, loan losses and overhead costs.

In an effort to foster economic development, to stimulate economic activity, and to provide assistance to targeted businesses, VEDA uses state and federal resources for an interest rate subsidy program (Note 12). The resources allow VEDA to offer loan rates below the level necessary to fully cover operating costs (a "subsidy").

**Table 14** shows funds received since fiscal year 2000 from various sources to be used for interest subsidies. Subsidy funds have come to VEDA in several forms including appropriations, grants, debt forgiveness, and advances and are

**Table 14: Subsidy Funds Provided, Used & Available**

| Fiscal Years: | 2000 - 2002 | 2003 - 2007 | 2008 - 2015 |
|---|---|---|---|
| Provided | $ 3,352 | $ 4,802 | $ 20,121 |
| Used | 483 | 5,029 | 10,876 |
| **Available (Cumulative)** | **$ 2,869** | **$ 2,642** | **$ 11,887** |

detailed in written agreements between VEDA and the federal or state granting entity. These agreements often include restrictions regarding how and when the funds are used.

When the Authority receives subsidy funds they are recorded in the financial statements as non-operating revenue, unearned revenue or other liability based on stipulations in the agreement with the granting entity. In some cases this means the revenues provided for future interest subsidies are earned in the period received, consequently, interest subsidies over future periods are from net position.

At June 30, 2015 the Authority had $11,887 of resources that have been either restricted or internally allocated for interest rate subsidies. The balances represent interest subsidy funds received by VEDA that have not yet been used (or earned) on either interest subsidy commitments to existing borrowers or for subsidies on loans yet to be made. Of the total resources available for subsidies, $11,211 is recorded in *Unrestricted Net position and r*epresents the portion of unrestricted net position that has been internally allocated for future subsidies by the Board of the Authority.

# Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Net Position as of June 30, 2015

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Current Assets: | | | | | |
| Cash and cash equivalents: | | | | | |
| Unrestricted | $ 1,532 | $ 583 | $ 1,235 | $ 1,036 | $ 4,386 |
| Restricted | 1,894 | 0 | 0 | 49 | 1,943 |
| Total cash and cash equivalents | 3,426 | 583 | 1,235 | 1,085 | 6,329 |
| Loans receivable | 20,029 | 9,928 | 2,641 | 302 | 32,900 |
| Accrued interest receivable | 168 | 121 | 41 | 5 | 335 |
| Receivable from State of Vermont | 0 | 0 | 0 | 395 | 395 |
| Other assets | 675 | 179 | 3 | 0 | 857 |
| Total current assets | 24,298 | 10,811 | 3,920 | 1,787 | 40,816 |
| Investments | | | | | |
| Unrestricted | 6,095 | 0 | 0 | 0 | 6,095 |
| Restricted | 24,126 | 620 | 0 | 0 | 24,746 |
| Total investments | 30,221 | 620 | 0 | 0 | 30,841 |
| Loans receivable, less current portion | 90,330 | 66,614 | 17,857 | 1,905 | 176,706 |
| Less allowance for loan losses | (4,660) | (599) | (1,530) | (199) | (6,988) |
| Loans receivable, less current portion, net of allowance | 85,670 | 66,015 | 16,327 | 1,706 | 169,718 |
| Capital assets, net of accumulated depreciation | 5,622 | 0 | 0 | 0 | 5,622 |
| **Total assets** | **$ 145,811** | **$ 77,446** | **$ 20,247** | **$ 3,493** | **$ 246,997** |
| Current Liabilities: | | | | | |
| Commercial paper | $ 145,700 | $ 0 | $ 0 | $ 0 | $ 145,700 |
| Interfund notes (receivable) payable | (60,365) | 48,900 | 11,465 | 0 | 0 |
| Notes payable | 234 | 15,500 | 230 | 49 | 16,013 |
| Escrow and reserve accounts | 122 | 0 | 0 | 47 | 169 |
| Accounts payable and accrued expenses | 711 | 87 | 3 | 0 | 801 |
| Interfund accounts (receivable) payable | (792) | 241 | 521 | 30 | 0 |
| Other liability - State of Vermont | 5,701 | 0 | 31 | 0 | 5,732 |
| Reserve for losses on insured loans | 0 | 0 | 0 | 393 | 393 |
| Unearned revenue for federal program | 295 | 0 | 0 | 0 | 295 |
| Accrued interest payable | 130 | 25 | 22 | 12 | 189 |
| Total current liabilities | 91,736 | 64,753 | 12,272 | 531 | 169,292 |
| Notes payable, less current portion | 12,341 | 0 | 4,548 | 1,987 | 18,876 |
| **Total liabilities** | **$ 104,077** | **$ 64,753** | **$ 16,820** | **$ 2,518** | **$ 188,168** |
| Restricted net position | 25,405 | 969 | 0 | 0 | 26,374 |
| Net investment in capital assets | 3,047 | 0 | 0 | 0 | 3,047 |
| Unrestricted net position | 13,282 | 11,724 | 3,427 | 975 | 29,408 |
| **Total net position** | **$ 41,734** | **$ 12,693** | **$ 3,427** | **$ 975** | **$ 58,829** |

*See accompanying notes to the basic financial statements*

# Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Net Position as of June 30, 2014

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Current Assets: | | | | | |
| Cash and cash equivalents: | | | | | |
| Unrestricted | $ 1,451 | $ 138 | $ 603 | $ 878 | $ 3,070 |
| Restricted | 6,209 | 0 | 0 | 63 | 6,272 |
| Total cash and cash equivalents | 7,660 | 138 | 603 | 941 | 9,342 |
| Loans receivable | 18,273 | 8,486 | 2,754 | 104 | 29,617 |
| Accrued interest receivable | 145 | 113 | 44 | 3 | 305 |
| Receivable from State of Vermont | 0 | 0 | 0 | 393 | 393 |
| Other assets | 539 | 188 | 13 | 0 | 740 |
| Total current assets | 26,617 | 8,925 | 3,414 | 1,441 | 40,397 |
| Investments | | | | | |
| Unrestricted | 6,494 | 0 | 0 | 0 | 6,494 |
| Restricted | 24,097 | 601 | 0 | 0 | 24,698 |
| Total investments | 30,591 | 601 | 0 | 0 | 31,192 |
| Loans receivable, less current portion | 80,915 | 63,556 | 16,618 | 1,832 | 162,921 |
| Less allowance for loan losses | (3,577) | (607) | (1,582) | (176) | (5,942) |
| Loans receivable, less current portion, net of allowance | 77,338 | 62,949 | 15,036 | 1,656 | 156,979 |
| Capital assets, net of accumulated depreciation | 5,894 | 0 | 0 | 0 | 5,894 |
| **Total assets** | **$ 140,440** | **$ 72,475** | **$ 18,450** | **$ 3,097** | **$ 234,462** |
| Current Liabilities: | | | | | |
| Commercial paper | $ 145,500 | $ 0 | $ 0 | $ 0 | $ 145,500 |
| Interfund notes (receivable) payable | (67,675) | 57,375 | 10,300 | 0 | 0 |
| Notes payable | 10,134 | 3,500 | 228 | 49 | 13,911 |
| Escrow and reserve accounts | 76 | 0 | 0 | 58 | 134 |
| Accounts payable and accrued expenses | 578 | 107 | 0 | 0 | 685 |
| Interfund accounts payable (receivable) | 716 | (811) | 73 | 22 | 0 |
| Due to State of Vermont | 0 | 0 | 0 | 3 | 3 |
| Other liability - State of Vermont | 5,846 | 0 | 32 | 0 | 5,878 |
| Reserve for losses on insured loans | 0 | 0 | 0 | 393 | 393 |
| Unearned revenue for federal program | 4,659 | 0 | 0 | 0 | 4,659 |
| Accrued interest payable | 92 | 4 | 19 | 10 | 125 |
| Total current liabilities | 99,926 | 60,175 | 10,652 | 535 | 171,288 |
| Notes payable, less current portion | 2,606 | 0 | 4,252 | 1,677 | 8,535 |
| **Total liabilities** | **$ 102,532** | **$ 60,175** | **$ 14,904** | **$ 2,212** | **$ 179,823** |
| Restricted net position | 25,744 | 1,210 | 0 | 0 | 26,954 |
| Net investment in capital assets | 3,154 | 0 | 0 | 0 | 3,154 |
| Unrestricted net position | 9,010 | 11,090 | 3,546 | 885 | 24,531 |
| **Total net position** | **$ 37,908** | **$ 12,300** | **$ 3,546** | **$ 885** | **$ 54,639** |

*See accompanying notes to the basic financial statements*

# Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2015

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Operating Revenues: | | | | | |
| Cash and investment revenue | $ 590 | $ 2 | $ 3 | $ 2 | $ 597 |
| Net decrease in fair value of investments | (133) | 0 | 0 | 0 | (133) |
| Loans receivable interest | 2,861 | 3,040 | 937 | 104 | 6,942 |
| Other revenues | 636 | 140 | 47 | 174 | 997 |
| Total operating revenues | 3,954 | 3,182 | 987 | 280 | 8,403 |
| Operating Expenses: | | | | | |
| Commercial paper and notes payable interest | 1,398 | 180 | 46 | 18 | 1,642 |
| Interfund interest (revenue) expense | (655) | 544 | 111 | 0 | 0 |
| Provision for loan losses | 1,083 | 44 | 577 | 23 | 1,727 |
| Staff salaries, expenses, and benefits | 2,765 | 719 | 0 | 0 | 3,484 |
| Professional fees | 329 | 171 | 13 | 16 | 529 |
| Office and administrative expenses | 1,063 | 0 | 0 | 0 | 1,063 |
| Interfund (revenue) expense allocation | (1,736) | 1,210 | 382 | 144 | 0 |
| Depreciation of capital assets | 362 | 0 | 0 | 0 | 362 |
| Total operating expenses | 4,609 | 2,868 | 1,129 | 201 | 8,807 |
| **Operating (loss) income** | **(655)** | **314** | **(142)** | **79** | **(404)** |
| Non-operating revenue (expense): | | | | | |
| Federal grant revenue earned | 4,364 | 0 | 0 | 0 | 4,364 |
| Non-operating revenue - State of Vermont | 0 | 100 | 0 | 0 | 100 |
| Non-operating expense - State of Vermont | 0 | 0 | 0 | (12) | (12) |
| Non-operating revenue - seed capital fund | 15 | 0 | 0 | 0 | 15 |
| Advance appropriation earned | 145 | 0 | 0 | 0 | 145 |
| Capital access program rebate expense | (18) | 0 | 0 | 0 | (18) |
| Interfund non-operating (expense) revenue | (25) | (21) | 23 | 23 | 0 |
| Total non-operating revenue | 4,481 | 79 | 23 | 11 | 4,594 |
| **Net increase (decrease) in net position** | **3,826** | **393** | **(119)** | **90** | **4,190** |
| Net position at beginning of year | 37,908 | 12,300 | 3,546 | 885 | 54,639 |
| **Net position at end of year** | **$ 41,734** | **$ 12,693** | **$ 3,427** | **$ 975** | **$ 58,829** |

*See accompanying notes to the basic financial statements*

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Operating Revenues: | | | | | |
| Cash and investment revenue | $ 496 | $ 1 | $ 5 | $ 2 | $ 504 |
| Net increase in fair value of investments | 1,325 | 0 | 0 | 0 | 1,325 |
| Loans receivable interest | 2,533 | 2,846 | 850 | 91 | 6,320 |
| Other revenues | 555 | 155 | 33 | 209 | 952 |
| Total operating revenues | 4,909 | 3,002 | 888 | 302 | 9,101 |
| Operating Expenses: | | | | | |
| Commercial paper and notes payable interest | 1,502 | 206 | 42 | 16 | 1,766 |
| Interfund interest (revenue) expense | (591) | 452 | 139 | 0 | 0 |
| Provision for loan losses | 772 | 80 | 813 | 82 | 1,747 |
| Provision for losses on insured loans | 0 | 0 | 0 | 393 | 393 |
| Staff salaries, expenses, and benefits | 2,409 | 743 | 0 | 0 | 3,152 |
| Professional fees | 511 | 148 | 3 | 9 | 671 |
| Office and administrative expenses | 1,035 | 0 | 0 | 0 | 1,035 |
| Interfund (revenue) expense allocation | (1,668) | 1,168 | 373 | 127 | 0 |
| Depreciation on capital assets | 332 | 0 | 0 | 0 | 332 |
| Total operating expenses | 4,302 | 2,797 | 1,370 | 627 | 9,096 |
| **Operating income (loss)** | **607** | **205** | **(482)** | **(325)** | **5** |
| Non-operating revenue (expense): | | | | | |
| Federal grant revenue earned | 4,441 | 0 | 0 | 0 | 4,441 |
| Non-operating revenue - State of Vermont | 593 | 0 | 69 | 393 | 1,055 |
| Non-operating expense - State of Vermont | 0 | 0 | 0 | (54) | (54) |
| Non-operating revenue - seed capital fund | 13 | 0 | 0 | 0 | 13 |
| Advance appropriation earned | 392 | 0 | 225 | 0 | 617 |
| Capital access program rebate expense | (8) | 0 | 0 | 0 | (8) |
| Interfund non-operating revenue (expense) | 228 | 27 | (261) | 6 | 0 |
| Total non-operating revenue | 5,659 | 27 | 33 | 345 | 6,064 |
| **Net increase (decrease) in net position** | **6,266** | **232** | **(449)** | **20** | **6,069** |
| Net position at beginning of year | 31,642 | 12,068 | 3,995 | 865 | 48,570 |
| **Net position at end of year** | $ 37,908 | $ 12,300 | $ 3,546 | $ 885 | $ 54,639 |

# Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Cash Flows

For the Year Ended June 30, 2015

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Interest received on loans receivable | $ 2,838 | $ 3,032 | $ 940 | $ 102 | $ 6,912 |
| Other revenues received | 636 | 140 | 47 | 174 | 997 |
| Operating expenses paid other than interest | (3,910) | (1,059) | 66 | (152) | (5,055) |
| Receipts from (disbursements to) VCAP and FAP participating banks, net | 46 | 0 | 0 | (11) | 35 |
| Principal received on loans receivable | 13,646 | 13,421 | 3,667 | 108 | 30,842 |
| Principal disbursed on loans receivable | (26,257) | (17,230) | (4,836) | (269) | (48,592) |
| Net cash used for operating activities | (13,001) | (1,696) | (116) | (48) | (14,861) |
| Cash flows from non-capital financing activities: | | | | | |
| Commercial paper and notes payable interest paid | (1,276) | (159) | (43) | (16) | (1,494) |
| Interfund notes payable interest received (paid) | 655 | (544) | (111) | 0 | 0 |
| Federal grant funds received | 0 | 0 | 0 | 0 | 0 |
| Advanced funds returned to State of Vermont | 0 | 0 | 0 | 0 | 0 |
| Advanced funds received from State of Vermont | 0 | 0 | 0 | 0 | 0 |
| Interfund non-operating (expense) revenue | (25) | (21) | 23 | 23 | 0 |
| Interfund transfer of loans receivable | 1,440 | (743) | (587) | (110) | 0 |
| Non-operating revenue received - State of Vermont | 0 | 100 | 0 | 12 | 112 |
| Non-operating expense - State of Vermont | 0 | 0 | 0 | (29) | (29) |
| Non-operating revenue - seed capital fund | 15 | 0 | 0 | 0 | 15 |
| Proceeds from issuance of commercial paper | 581,350 | 0 | 0 | 0 | 581,350 |
| Payments on maturing commercial paper | (581,150) | 0 | 0 | 0 | (581,150) |
| Payments received (paid) on interfund notes payable | 7,310 | (8,475) | 1,165 | 0 | 0 |
| Proceeds from notes payable | 0 | 14,500 | 475 | 360 | 15,335 |
| Payments on notes payable | 0 | (2,500) | (177) | (50) | (2,727) |
| Capital access program rebates paid | (18) | 0 | 0 | 0 | (18) |
| Net cash provided by non-capital financing activities | 8,301 | 2,158 | 745 | 190 | 11,394 |
| Cash flows from investing activities: | | | | | |
| Redemption or sale of investments | 976 | 0 | 0 | 0 | 976 |
| Purchase of investments | (761) | (19) | 0 | 0 | (780) |
| Revenue received on cash and investments | 590 | 2 | 3 | 2 | 597 |
| Net cash provided by (used for) investing activities | 805 | (17) | 3 | 2 | 793 |
| Cash flows from capital and related financing activities: | | | | | |
| Purchase of capital assets | (90) | 0 | 0 | 0 | (90) |
| Payments on mortgage note payable | (165) | 0 | 0 | 0 | (165) |
| Interest paid on mortgage note payable | (84) | 0 | 0 | 0 | (84) |
| Net cash used for capital and related financing activities | (339) | 0 | 0 | 0 | (339) |
| **Net (decrease) increase in cash and cash equivalents** | **(4,234)** | **445** | **632** | **144** | **(3,013)** |
| Cash and cash equivalents at beginning of year | 7,660 | 138 | 603 | 941 | 9,342 |
| **Cash and cash equivalents at end of year** | **$ 3,426** | **$ 583** | **$ 1,235** | **$ 1,085** | **$ 6,329** |

*See accompanying notes to the basic financial statements*

# Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2015

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Reconciliation of operating (loss) income to net cash used for operating activities: | | | | | |
| Operating (loss) income | $ (655) | $ 314 | $ (142) | $ 79 | $ (404) |
| Adjustments to reconcile operating (loss) income to net cash used for operating activities: | | | | | |
| Interest revenue on investment activities | (590) | (2) | (3) | (2) | (597) |
| Net decrease in fair value of investments | 133 | 0 | 0 | 0 | 133 |
| Interest expense | 1,398 | 180 | 46 | 18 | 1,642 |
| Interest (revenue) expense for interfund activities | (655) | 544 | 111 | 0 | 0 |
| Provision for loan losses | 1,083 | 44 | 577 | 23 | 1,727 |
| Provision for losses on insured loans | 0 | 0 | 0 | 0 | 0 |
| Interfund transfer of loans receivable | (1,440) | 743 | 587 | 110 | 0 |
| Change in receivable from VCP | 22 | 0 | 0 | 0 | 22 |
| Depreciation expense | 362 | 0 | 0 | 0 | 362 |
| Changes in assets and liabilities: | | | | | |
| Loans receivable | (11,171) | (4,500) | (1,126) | (271) | (17,068) |
| Allowance for loan losses | 0 | (52) | (629) | 0 | (681) |
| Accrued interest receivable | (23) | (8) | 3 | (2) | (30) |
| Other assets | (136) | 9 | 10 | 0 | (117) |
| Escrow and reserve accounts | 46 | 0 | 0 | (11) | 35 |
| Accounts payable and accrued expenses | 133 | (21) | 3 | 0 | 115 |
| Interfund accounts payable (receivable) | (1,508) | 1,053 | 447 | 8 | 0 |
| Net cash used for operating activities | $ (13,001) | $ (1,696) | $ (116) | $ (48) | $ (14,861) |

*See accompanying notes to the basic financial statements*

# Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2014

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Interest received on loans receivable | $ 2,524 | $ 2,843 | $ 838 | $ 92 | $ 6,297 |
| Other revenues received | 555 | 155 | 33 | 209 | 952 |
| Operating expenses paid other than interest | (3,379) | (2,997) | 1,448 | (49) | (4,977) |
| Receipts from (disbursements to) VCAP and FAP participating banks, net | 27 | 0 | 0 | (18) | 9 |
| Principal received on loans receivable | 13,156 | 16,418 | 4,506 | 151 | 34,231 |
| Principal disbursed on loans receivable | (26,171) | (22,312) | (2,805) | 0 | (51,288) |
| Net cash (used for) provided by operating activities | (13,288) | (5,893) | 4,020 | 385 | (14,776) |
| Cash flows from non-capital financing activities: | | | | | |
| Commercial paper and notes payable interest paid | (1,358) | (233) | (42) | (16) | (1,649) |
| Interfund notes payable Interest received (paid) | 591 | (452) | (139) | 0 | 0 |
| Federal grant funds received | 8,823 | 0 | 0 | 0 | 8,823 |
| Advanced funds returned to State of Vermont | 0 | 0 | (316) | 0 | (316) |
| Advanced funds received from State of Vermont | 5,501 | 0 | 0 | 0 | 5,501 |
| Interfund non-operating funds income (expense) | 228 | 27 | (261) | 6 | 0 |
| Interfund transfer of loans receivable | (1,298) | 1,456 | 204 | (362) | 0 |
| Non-operating revenue received - State of Vermont | 593 | 0 | 69 | 0 | 662 |
| Non-operating expense paid - State of Vermont | (14) | 0 | 0 | (94) | (108) |
| Non-operating revenue received - seed capital fund | 13 | 0 | 0 | 0 | 13 |
| Proceeds from issuance of commercial paper | 552,685 | 0 | 0 | 0 | 552,685 |
| Payments on maturing commercial paper | (538,485) | 0 | 0 | 0 | (538,485) |
| Payments (paid) received on interfund notes payable | (14,425) | 18,675 | (4,250) | 0 | 0 |
| Proceeds from notes payable | 10,000 | 13,000 | 475 | 250 | 23,725 |
| Payments on notes payable | 0 | (27,000) | (200) | (24) | (27,224) |
| Capital access program rebates paid | (8) | 0 | 0 | 0 | (8) |
| Net cash provided by (used for) non-capital financing activities | 22,846 | 5,473 | (4,460) | (240) | 23,619 |
| Cash flows from investing activities: | | | | | |
| Redemption or sale of investments | 52,501 | 0 | 0 | 0 | 52,501 |
| Purchase of investments | (55,656) | (55) | 0 | 0 | (55,711) |
| Revenue received on cash and investments | 506 | 1 | 5 | 3 | 515 |
| Net cash (used for) provided by investing activities | (2,649) | (54) | 5 | 3 | (2,695) |
| Cash flows from capital and related financing activities: | | | | | |
| Purchase of capital assets | (746) | 0 | 0 | 0 | (746) |
| Payments on mortgage note payable | (130) | 0 | 0 | 0 | (130) |
| Interest paid on mortgage note payable | (93) | 0 | 0 | 0 | (93) |
| Net cash used for capital and related financing activities | (969) | 0 | 0 | 0 | (969) |
| **Net increase (decrease) in cash and cash equivalents** | **5,940** | **(474)** | **(435)** | **148** | **5,179** |
| Cash and cash equivalents at beginning of year | 1,720 | 612 | 1,038 | 793 | 4,163 |
| **Cash and cash equivalents at end of year** | **$ 7,660** | **$ 138** | **$ 603** | **$ 941** | **$ 9,342** |

*See accompanying notes to the basic financial statements*

# Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Statement of Cash Flows
For the Year Ended June 30, 2014

| *Dollar Amounts in Thousands* | Vermont Jobs Fund | Vermont Agricultural Credit Corp. | Vermont Small Business Develop. Corp. | Non-Major Funds Combined | VEDA Combined Total |
|---|---|---|---|---|---|
| Reconciliation of operating income (loss) to net cash (used for) provided by operating activities: | | | | | |
| Operating income (loss) | $ 607 | $ 205 | $ (482) | $ (325) | $ 5 |
| Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities: | | | | | |
| Interest revenue on investment activities | (506) | (1) | (5) | (3) | (515) |
| Net increase in fair value of investments | (1,325) | 0 | 0 | 0 | (1,325) |
| Interest expense | 1,502 | 206 | 42 | 16 | 1,766 |
| Interest (income) expense for interfund financing activities | (591) | 452 | 139 | 0 | 0 |
| Provision for loan losses | 772 | 80 | 813 | 82 | 1,747 |
| Provision for losses on insured loans | 0 | 0 | 0 | 393 | 393 |
| Interfund transfer of loans receivable | 1,298 | (1,456) | (204) | 362 | 0 |
| Proceeds from sale of loans receivable | 0 | 0 | 0 | 0 | 0 |
| Change in receivable from VCP | 10 | 0 | 0 | 0 | 10 |
| Depreciation expense | 332 | 0 | 0 | 0 | 332 |
| Changes in assets and liabilities: | | | | | |
| Loans receivable | (13,137) | (4,402) | 2,140 | (211) | (15,610) |
| Allowance for loan losses | (1,176) | (36) | (235) | 0 | (1,447) |
| Accrued interest receivable | 1 | (3) | (12) | 2 | (12) |
| Other assets | (68) | 50 | (9) | 4 | (23) |
| Escrow and reserve accounts | 27 | 0 | 0 | (18) | 9 |
| Accounts payable and accrued expenses | (129) | 23 | 0 | 0 | (106) |
| Interfund accounts payable (receivable) | (905) | (1,011) | 1,833 | 83 | 0 |
| Net cash (used for) provided by operating activities | $ (13,288) | $ (5,893) | $ 4,020 | $ 385 | $ (14,776) |

*See accompanying notes to the basic financial statements*

# Vermont Economic Development Authority

## (A Component Unit of the State of Vermont)

## Statement of Fiduciary Assets and Liabilities for the Agency Funds

## as of June 30, 2015 and 2014

| *Dollar Amounts in Thousands* | | 2015 Agency Funds | | 2014 Agency Funds |
|---|---|---|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Restricted cash and cash equivalents | $ | 6,561 | $ | 5,983 |
| Loans receivable | | 1,392 | | 1,267 |
| Total current assets | | 7,953 | | 7,250 |
| Loans receivable, less current portion | | 17,696 | | 18,101 |
| **Total assets** | **$** | **25,649** | **$** | **25,351** |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Due to Drinking Water State Revolving Fund | | 16,802 | | 16,788 |
| Due to Clean Energy Development Fund | | 4,327 | | 4,944 |
| Due to State Infrastructure Bank | | 3,300 | | 3,150 |
| Due to Brownfields Revolving Loan Fund | | 1,220 | | 469 |
| **Total liabilities** | **$** | **25,649** | **$** | **25,351** |

## (1) Authorizing Legislation and Programs

### (a) Authorizing Legislation

The Vermont Economic Development Authority (the "Authority" or "VEDA") is a body corporate and politic and a public instrumentality of the State of Vermont (the "State"). It was created by the General Assembly in 1974. Its purpose is to promote prosperity in the State by providing financial assistance to eligible businesses. VEDA funds a wide spectrum of enterprises including: manufacturing, agriculture, travel and tourism, technology, energy generation, efficiency and distribution, and other services including not-for-profits. The primary goal of VEDA programs is to provide eligible borrowers with access to capital at favorable interest rates. The Authority is reported as a component unit in the State's financial statements. As a component unit of the State, VEDA is generally exempt from federal income taxes.

The Authority is governed by a fifteen member board (the "Board"). The Board is comprised of five State officials: the State Treasurer, the Secretary of the Agency of Commerce and Community Development, the Secretary of Agriculture, Food and Markets, the Commissioner of Forests, Parks and Recreation, and the Commissioner of Public Service. The remaining Board members are ten citizens of the State appointed by the Governor with the advice and consent of the Senate.

In accordance with the enabling legislation which created the Authority, the State of Vermont reserves the right, at its sole discretion, and at any time, to alter or change the structure, organization, programs or activities of the Authority. This enabling legislation includes the power to terminate the Authority, subject to any limitation on the impairment of contracts entered into by the Authority. This enabling legislation is silent as to whether or not the State has any responsibility to fund deficits which the Authority may incur other than those deficits specifically described in these notes.

### (b) Programs of the Authority

In accordance with accounting principles generally accepted in the United States of America, the Vermont Jobs Fund ("VJF"), the Vermont Agricultural Credit Corporation ("VACC") and the Vermont Small Business Development Corporation ("VSBDC") are considered major funds of VEDA. Major Funds are presented under separate headings in the basic financial statements and the remaining programs are aggregated under the heading "Non-Major Funds Combined."

## Vermont Jobs Fund ("VJF")

The VJF derives its operating revenues primarily from interest on loans receivable, interest on investments, and fee income from loans receivable and Industrial Development Bonds. The VJF programs are outlined as follows:

### Loans to Development Corporations

This program is established under Subchapter 3 of the VEDA statute. Under this program the Authority provides loans to non-profit local development corporations. Allowable lending purposes include the purchase, construction and renovation of speculative buildings and small business incubator facilities, the purchase of land for industrial parks, and for industrial park planning and development.

### Industrial Development Bonds ("IDB")

This program is established under Subchapter 4 of the VEDA statute. This program is designed to aid businesses and not-for-profit enterprises through the Authority's issuance of tax-exempt bonds. Allowable financing purposes include the acquisition of land, buildings, machinery and equipment for use in an industrial facility or for a not-for-profit enterprise. Since 1988, the Authority has issued $633,122 of these bonds and $285,841 and $293,391 remain outstanding at June 30, 2015 and 2014, respectively. The bonds are not general obligations of the State of Vermont or the Authority and do not constitute indebtedness or a charge against the general credit or taxing power of the State of Vermont or the Authority.

In 2015 and 2014 the Authority received $92 and $47, respectively, in fees for issuing industrial development bonds.

### Direct Loans to Businesses

This program is established under Subchapter 5 of the VEDA statute. This program is designed to make loans available to commercial enterprises. Allowable lending purposes include the purchase of land, the purchase, construction and renovation of buildings, and the purchase and installation of machinery and equipment for use in an eligible facility or project. Included in the Subchapter 5 group are loans for technology infrastructure and incubator facilities.

### Vermont Sustainable Energy Loan Fund ("VSELF")

This program is established in under Subchapter 13 of the VEDA statute. This program is designed to make loans and provide other forms of financing for projects that stimulate and encourage development and deployment of sustainable energy projects in the State.

VEDA Capital Access Program ("VCAP")

This program is an extension and replacement of the Financial Access Program ("FAP") which is a Non-Major Fund of VEDA. The VCAP establishes cash reserves at participating financial institutions ("banks") throughout the State by matching funds received from banks. Banks enroll eligible loans and make a contribution equal to 6% of the enrolled loan amount; enrolled loans cannot exceed $250. VEDA matches the banks' contribution with an equal contribution to create a pooled cash reserve for loan losses. Banks can claim losses they incur on any enrolled loans in amounts not to exceed the outstanding cash reserve balance. The cash reserve amounts are included under the captions "Restricted cash and cash equivalents," and the banks portion of the reserve is recorded under the caption "Escrow and reserve accounts" and VEDA's portion is recorded as part of "Restricted net position" on the *Statement of Net Position*. VEDA also provides a rebate equal to 3% of the enrolled loan amount to participating banks and this expense is recorded under the caption "Capital Access Program Rebate Expense" on the *Statement of Revenues, Expenses and Changes in Net Position*.

**Vermont Agricultural Credit Corporation ("VACC")**

The Authority operates its agricultural loan programs through the VACC. The VACC derives its revenues primarily from interest on lending operations. The purpose of the VACC is to aid family farmers and agricultural facility operators by making available direct loans at favorable rates and terms. At June 30, 2015 and 2014, $40,906 and $39,706, respectively, of the outstanding balance of the loans receivable carried guarantees of the federal government; the federal guarantees range from 50% to 95% of the outstanding balance and the average federal guarantee on these loans was 90% at both June 30, 2015 and 2014. The remaining loans receivable carry no federal guarantees. These loans totaled $35,636 and $32,336 at June 30, 2015 and 2014, respectively.

**Vermont Small Business Development Corporation ("VSBDC")**

Within the VSBDC there are two funds:

VSBDC IRP Fund

The VSBDC participates in the United States Department of Agriculture ("USDA") Intermediary Relending Program ("IRP Fund"). The IRP Fund makes small business loans in designated rural areas of the State.

VSBDC Loan Fund

The VSBDC, the "Loan Fund" was established to make small business loans using non-IRP funds. The "Loan Fund" was initially capitalized with $1,000 from the VJF. Both the VSBDC IRP Fund and the Loan Fund derive their revenues principally from interest and fees earned on loans.

## Non-Major Funds

### Vermont 504 Corporation (“VT504”)

Within the VT504 there are two funds:

#### VT504 SBA CDC Fund

The Authority originally incorporated the VT504 as a non-profit corporation to operate as a Small Business Administration (“SBA”) Section 504 Certified Development Corporation (“CDC”). Loans under the SBA 504 loan program are made for the acquisition of land, buildings, machinery or equipment and are collateralized by property, plant and equipment or other assets (Note 7). The VT504 SBA CDC Fund derives its revenues principally from fees for originating and servicing SBA 504 loans.

#### VT504 IRP Fund

A second fund was later established to make small business loans using monies borrowed from the United States Department of Agriculture (“USDA”) Intermediary Relending Program (“IRP Fund”). The VT504 IRP Fund was initially capitalized with $188 from the VJF. The VT504 IRP Fund derives its revenues principally from interest and fees earned on loans.

### Mortgage Insurance Program (“MIP”)

The MIP is designed to provide businesses with access to capital by insuring a portion of loans made by lending institutions. The loans can be for the acquisition of land, buildings, machinery and equipment, or working capital. All insured loans are collateralized by property, plant and equipment, or other assets of the business entity. The full faith and credit of the State of Vermont is pledged to support the operations of the MIP. The MIP derives its revenues primarily from insurance premiums received from insured lenders. The MIP is being phased out and no new contracts are being entered into.

### Financial Access Program (“FAP”)

The FAP generates its revenue through interest earned on the reserve balances deposited and held on behalf of the participating banks. The reserve balances are comprised of deposits made by banks matched equally by an allocation of guarantee by VEDA. The full faith and credit of the State of Vermont is pledged to support the operations of the FAP. The deposited amounts are included under the caption “Restricted cash and cash equivalents” and as “Escrow and reserve accounts” on the *Statement of Net Position*. The FAP was replaced by the VEDA Capital Access Program (see Vermont Jobs Fund) and has not accepted new enrollments for several years and the program will be terminated when no more enrolled loans are outstanding.

**Agency Funds ("AGN")**

The Authority provides underwriting, servicing, fiduciary and accounting services for lending programs operated by VEDA at the direction of various State agencies. The AGN includes cash and loans receivable that are held in the name of the Authority for the benefit of the State. These amounts are presented on the *Statement of Fiduciary Assets and Liabilities*. The programs include the State Infrastructure Bank ("SIB"), the Drinking Water State Revolving Fund ("DWF"), the Brownfield Revitalization Fund ("BRF") and the Clean Energy Development Fund ("CEDF"). While not considered a direct recipient of federal funds under these programs, VEDA manages and holds federal funds for the benefit of the AGN programs.

(c) Blended Component Units

Accounting principles generally accepted in the United States of America require that the financial statements present the Authority and its component units. Component Units are entities that, although legally separate are either financially accountable to, or have relationships such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The management and the boards of directors of the of the Authority's three corporations (VACC, VSBDC and VT504) also serve as the management and Board of the Authority. As such, the three not-for-profit corporations are included in these financial statements as blended component units. Separate audited financial statements for component units are not available.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

Adoption of GASB Statements

In 2014, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify or recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. In adopting this statement, no changes were made to the presentation of VEDA and its component units from that used in prior years.

(b) Cash and Cash Equivalents

The Authority considers all highly liquid investments, both restricted and unrestricted, with original maturities of three months or less to be cash equivalents.

(c) Restricted Cash and Cash Equivalents
Certain cash and cash equivalents in the VJF are restricted under a trust indenture and held by a trustee in the Authority's name to pay interest at maturity on VEDA's outstanding commercial paper (Note 5). The Authority has unearned revenue for a federal program called the State Small Business Credit Initiative ("SSBCI"), the funds for which are included in restricted cash and cash equivalents in the VJF and VSBDC. Cash in the MIP and FAP are restricted pending transfer to the State. The VCAP (in the VJF) and the FAP hold restricted cash on behalf of participating banks.

(d) Unrestricted and Restricted Investments
Certain investments in the VJF are restricted under a trust indenture and held by a trustee in the Authority's name. The funds are invested at the direction of the Authority. These investments are collateral for the credit facility that enhances the credit rating of VEDA's commercial paper (Note 5). These investments are presented in these financial statements at fair value.

The VJF has an unrestricted investment in Vermont Capital Partners, LP ("VCP", Note 3). VCP is a limited partnership in which VEDA operates as General Partner. VEDA's capital contribution to VCP represents 42% of the total VCP capital. VCP is required by the partnership agreement to invest 100% of its capital in a second limited partnership, the management of which is not under the control of the General Partner. The investment in VCP is recorded at cost.

VEDA has invested State appropriated funds in the Vermont Seed Capital Fund, LP ("VSCF," Note 3). The authorizing legislation provided for the continued reinvestment of any revenues in the VSCF. The invested funds cannot be used by VEDA except for investment in a seed capital fund; consequently they are recorded under the caption "Restricted investments" and comprise a portion of "Restricted net position" on the *Statement of Net Position* (Note 14). The investment in VSCF is recorded at cost.

The VACC has an investment in Cobank, ACB ("Cobank") stock, ownership of which is required as part of the borrowing relationship with Cobank (Note 6). The stock cannot be remarketed and is consequently recorded at cost.

(e) Loans Receivable
Loans receivable are recorded at the uncollected principal balance, net of any loans sold without recourse. As of June 30, 2015 and 2014, the VACC had $721 and $833, respectively of outstanding loans sold without recourse.

(f) Allowance for Loan Losses
The allowance for loan losses ("reserves") are maintained at a level estimated to be adequate to absorb probable losses. Management determines the adequacy of the reserves based upon review of each credit relationship, historic loss experience, current economic conditions, and risk characteristics

*Dollar Amounts are in Thousands*

of the various loan types and other pertinent factors. Future changes in economic and risk conditions could affect the adequacy of the reserves.

(g) Nonaccrual Loans

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Loans are classified as nonaccrual when they become 90 days past due, unless they are adequately collateralized and in the process of collection. When a loan is placed in nonaccrual status, all interest accrued, but not paid, is charged off against current period income. While in nonaccrual status, interest income is recognized only when collected, and accrual of interest is resumed when collection of the total amount in arrears is received, or the collectability of all future amounts due is determined to be probable.

The outstanding balance of nonaccrual loans at June 30, 2015 and 2014 was $10,450 and $9,693, respectively. These amounts represent 4.99% and 5.03% of total loans receivable outstanding at June 30, 2015 and 2014, respectively. The allowance for loan losses specific to nonaccrual loans totaled $2,121 and $1,742 at June 30, 2015 and 2014, respectively which represented 20% and 18%, respectively of the nonaccrual loans outstanding. Total interest collected on nonaccrual loans in the years ended 2015 and 2014 was $355 and $241, respectively.

(h) Capital Assets

VEDA's capital assets include real estate ("RE"), Leasehold Improvements ("LHI") and furniture, fixtures & equipment ("FF&E"). RE includes land and two buildings. LHI are capital improvements made to property leased from a third party (Note 8). FF&E includes office furniture and fixtures and office equipment including computer hardware and software where the cost exceeds one thousand dollars. All assets are stated at cost net of accumulated depreciation.

The charts below show the changes in capital assets and accumulated depreciation for the years ended June 30, 2015 and 2014:

| **Capital Assets Schedule For the Year Ending June 30, 2015:** | **Beginning Capital Assets** | **Add New Capital Assets** | **Less Current Year Depreciation** | **Less Assets Retired** | **Ending Capital Assets** |
|---|---|---|---|---|---|
| Real Estate - Montpelier | $ 5,728 | $ 3 | $ 0 | $ 0 | $ 5,731 |
| Leasehold Improvements - Burlington | 170 | 15 | 0 | 0 | 185 |
| Accumulated Depreciation - RE & LHI | (945) | 0 | (177) | 0 | (1,122) |
| Furniture, fixtures and equipment | 1,237 | 72 | 0 | 0 | 1,309 |
| Accumulated Depreciation - FF&E | (796) | 0 | (185) | 0 | (981) |
| Developed Land - Montpelier | 500 | 0 | 0 | 0 | 500 |
| **Total Capital Assets, net** | **$ 5,894** | **$ 90** | **$ (362)** | **$ 0** | **$ 5,622** |

*Dollar Amounts are in Thousands*

| Capital Assets Schedule For the Year Ending June 30, 2014: | Beginning Capital Assets | Add New Capital Assets | Less Current Year Depreciation | Less Assets Retired | Ending Capital Assets |
|---|---|---|---|---|---|
| Real Estate - Montpelier | $ 5,365 | $ 363 | $ 0 | $ 0 | $ 5,728 |
| Leasehold Improvements - Burlington | 0 | 170 | 0 | 0 | 170 |
| Accumulated Depreciation - RE & LHI | (770) | 0 | (175) | 0 | (945) |
| Furniture, fixtures and equipment | 1,024 | 213 | 0 | 0 | 1,237 |
| Accumulated Depreciation - FF&E | (639) | 0 | (157) | 0 | (796) |
| Developed Land - Montpelier | 500 | 0 | 0 | 0 | 500 |
| **Total Capital Assets, net** | **$ 5,480** | **$ 746** | **$ (332)** | **$ 0** | **$ 5,894** |

The Authority depreciates capital assets (except land and land improvements) using the straight-line method over the capital assets' estimated useful life. VEDA uses fifteen to forty years for RE and RE improvements; three to five years for computer related hardware and software; and up to ten years for furniture and fixtures. LHI are depreciated over the life of the lease.

(i) Restricted Net Position

Portions of net position are restricted when constraints are placed on them from external sources. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first with unrestricted resources utilized as needed (Note 13).

(j) Operating Revenues and Expenses

All revenues related to the origination and servicing of loans and managing the Authority's remaining assets and liabilities, including all overhead expenses, are considered to be "operating" revenues or expenses. Inter-governmental transfers such as appropriations and other items of an unusual or non-recurring nature are considered "non-operating" revenues or expenses.

(k) Allocation of Expenses

Overhead and some minor direct expenses are paid by the VJF on behalf of the other programs. All programs pay direct expenses for staff and professional fees plus an administrative fee to the VJF based on the outstanding loan receivable balances in each program plus additional charges for originating and closing the financing products of each program. They are reflected on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Interfund (revenue) expense allocation."

(l) Interfund Transfers

Inter-fund transfers are permanent asset transfers generally used to increase equity and help defray a portion of the cost of operating activities and are recorded under the caption "Interfund non-operating (expense) revenue" on the *Statement of Revenues, Expenses and Changes in Net Position*.

*Dollar Amounts are in Thousands*

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

## (3) Cash Equivalents and Investments

### Cash Equivalents

The Authority's cash equivalents include collateralized deposits and money market accounts. Deposits are collateralized with securities held in trust in the name of the bank for the benefit of the Authority. The total money market accounts at June 30, 2015 and 2014 were $91 and $71, respectively and were comprised of direct obligations of the U.S. Government. The bank balance of the collateralized deposit accounts approximates the amounts shown below as of June 30, 2015 and 2014. The book balance of cash equivalents for each of the past two years are as follows:

| **Cash and Cash Equivalent Balances at June 30, 2015:** | **VJF** | **VACC** | **VSBDC** | **Non-Major Funds Combined** | **VEDA TOTAL** |
|---|---|---|---|---|---|
| Collateralized deposit accounts | $ 3,335 | $ 583 | $ 1,235 | $ 1,085 | $ 6,238 |
| Money market accounts | 91 | 0 | 0 | 0 | 91 |
| **Total cash and cash equivalents** | **$ 3,426** | **$ 583** | **$ 1,235** | **$ 1,085** | **$ 6,329** |

| **Cash and Cash Equivalent Balances at June 30, 2014:** | **VJF** | **VACC** | **VSBDC** | **Non-Major Funds Combined** | **VEDA TOTAL** |
|---|---|---|---|---|---|
| Collateralized deposit accounts | $ 7,589 | $ 138 | $ 603 | $ 941 | $ 9,271 |
| Money market accounts | 71 | 0 | 0 | 0 | 71 |
| **Total cash and cash equivalents** | **$ 7,660** | **$ 138** | **$ 603** | **$ 941** | **$ 9,342** |

These funds are held by a single financial institution and collateralized with securities eligible under the Authority's Investment Policy and held in trust in the name of the bank for the benefit of VEDA. There were also cash and cash equivalents held in collateralized deposit accounts for the Agency Fund totaling $6,561 and $5,983 at June 30, 2015 and 2014, respectively. A trust indenture governs how restricted cash and cash equivalents in the VJF can be invested. The restricted cash is partial collateral for VEDA commercial paper (Note 5). The allowable investments under the trust indenture are similar to the investments allowed under the Authority's own policy.

*Dollar Amounts are in Thousands*

## Investments

Investments as of June 30, 2015 and 2014 are shown in the charts below:

| Investments By Type or By Issuer as of June 30, 2015 | Long-Term Credit Ratings Weighted Average | Range From Low to High | Par or Notional Amount | Weighted Average Yield | Cost Basis | Estimated Fair Value ("FV") | FV as a % of Total |
|---|---|---|---|---|---|---|---|
| Total Bond Market Index Fund[1] | AA+ | BAA to AAA | $ 8,400 | 2.30% | $ 8,400 | $ 8,292 | 26.9% |
| Corporate Bond Index Fund[1] | A | BAA to AAA | 6,000 | 2.00% | 6,000 | 5,927 | 19.2% |
| **Total bond mutual funds** | | | **$ 14,400** | **2.17%** | **$ 14,400** | **$ 14,219** | **46.1%** |
| Domestic Stock Index (S&P) Fund | NOT RATED | NOT RATED | 5,000 | N/A | 5,000 | 5,459 | 17.7% |
| International Markets Index Fund | NOT RATED | NOT RATED | 3,400 | N/A | 3,400 | 3,245 | 10.5% |
| Emerging Markets Index Fund | NOT RATED | NOT RATED | 1,200 | N/A | 1,200 | 1,171 | 3.8% |
| **Total equity mutual funds** | | | **$ 9,600** | | **$ 9,600** | **$ 9,875** | **32.0%** |
| **The investments below are recorded at cost:** | | | | | | | |
| Vermont Seed Capital Fund, LP | NOT RATED | NOT RATED | 4,126 | N/A | 4,126 | 4,126 | 13.4% |
| Vermont Capital Partners, LP | NOT RATED | NOT RATED | 2,000 | N/A | 2,000 | 2,000 | 6.5% |
| CoBank, ACB Stock | NOT RATED | NOT RATED | 620 | N/A | 620 | 620 | 2.0% |
| Domestic Money Market Funds | NOT RATED | NOT RATED | 1 | N/A | 1 | 1 | 0.0% |
| **Investments at June 30, 2015** | | | **$ 30,747** | | **$ 30,747** | **$ 30,841** | **100.0%** |

| Investments By Type or By Issuer as of June 30, 2014 | Long-Term Credit Ratings Weighted Average | Range From Low to High | Par or Notional Amount | Weighted Average Yield | Cost Basis | Estimated Fair Value ("FV") | FV as a % of Total |
|---|---|---|---|---|---|---|---|
| Total Bond Market Index Fund[1] | AA+ | BAA - AAA | $ 8,352 | 2.10% | $ 8,352 | $ 8,329 | 26.8% |
| Corporate Bond Index Fund[1] | A | BAA - AAA | 6,048 | 1.50% | 6,048 | 6,028 | 19.3% |
| **Total bond mutual funds** | | | **$ 14,400** | **1.85%** | **$ 14,400** | **$ 14,357** | **46.1%** |
| Domestic Stock Index (S&P) Fund | NOT RATED | NOT RATED | 5,000 | N/A | 5,000 | 5,221 | 16.7% |
| International Markets Index Fund | NOT RATED | NOT RATED | 3,400 | N/A | 3,400 | 3,469 | 11.1% |
| Emerging Markets Index Fund | NOT RATED | NOT RATED | 1,200 | N/A | 1,200 | 1,230 | 3.9% |
| **Total equity mutual funds** | | | **$ 9,600** | | **$ 9,600** | **$ 9,920** | **31.7%** |
| **The investments below are recorded at cost:** | | | | | | | |
| Vermont Seed Capital Fund, LP | NOT RATED | NOT RATED | 4,111 | N/A | 4,111 | 4,111 | 13.2% |
| Vermont Capital Partners, LP | NOT RATED | NOT RATED | 2,000 | N/A | 2,000 | 2,000 | 6.4% |
| CoBank, ACB Stock | NOT RATED | NOT RATED | 601 | N/A | 601 | 601 | 1.9% |
| Domestic Money Market Funds | NOT RATED | NOT RATED | 203 | N/A | 203 | 203 | 0.7% |
| **Investments at June 30, 2014** | | | **$ 30,915** | | **$ 30,915** | **$ 31,192** | **100.0%** |

[1] *Long-term credit ratings represent the underlying bonds held in the mutual funds and not the funds themselves.*

Summary of Investment Policy

The Authority's investment policy allows the following as eligible investments: (a) Direct obligations of the United States of America and unconditionally guaranteed by the United States of America and debt obligations of U.S. Government agencies; (b) Overnight repurchase or collateralized deposit agreements collateralized by obligations of the U.S. Government and its Agencies; (c) Investment agreements with financial institutions which are rated at least "A" by nationally recognized credit rating agencies; (d) Interest bearing time deposits, certificates of deposit or other depository arrangement insured by the Federal Deposit Insurance Corporation (FDIC); (e) Commercial paper which is rated "A-1" by Standard and Poor's and "P-1" by Moody's Investors Services and matures not more than 270 days after the date of purchase; (f) Domestic money market funds regulated by and in good standing with the Securities and Exchange Commission ("SEC"), such money market funds being composed entirely of investments eligible under VEDA's investment policy; (g) Corporate bonds, debentures, Yankee bonds, mortgage-backed securities and other domestically or foreign issued fixed-income instruments deemed prudent by the Investment Managers; (h) Individual equity securities of domestic or international companies; (i) Equity or fixed-income mutual funds of domestic or international companies. Such funds must be comprised of investments eligible under the policy; and (j) any other investment with prior approval of the Authority's Board. The Authority's investment policy mandates that debt securities carry a minimum rating of investment grade (BBB-). The weighted average rating is AA for investments that carry a long-term credit rating from one of three recognized rating agencies. Two of the Authority's investments (Vermont Capital Partners, LP and the Vermont Seed Capital Fund, described below) were authorized by statute and are outside the scope of the Authority's investment policy.

Detail on investments is provided below:

Bond Mutual Funds

The Authority invests in two bond market indexed mutual funds. One mutual fund is indexed to mirror the Barclay's Aggregate Bond Market Index™. The second mutual fund is comprised of corporate bonds with an average maturity of less than one year. The Authority's cost basis in these two funds totaled $14,400 at June 30, 2015 and 2014. The funds had a fair value of $14,219 and $14,357, at June 30, 2015 and 2014, respectively.

Equity Securities

The Authority holds three equity indexed mutual funds. One mutual fund is indexed to the S&P 500 stock market index™, the second mutual fund is indexed to international developing markets and the third mutual fund is indexed to international emerging markets. The cost basis of the three funds combined was $9,600 at June 30, 2015 and 2014. The three funds had a fair value of $9,875 and $9,920 at June 30, 2015 and 2014, respectively.

Cobank, ACB Stock

As part of its borrowing relationship with Cobank, ACB (Note 6), the VACC is required to own Cobank stock in amounts relative to the outstanding debt, adjusted annually. At June 30, 2015 and 2014, the VACC owned $620 and $601 of CoBank stock, respectively. The stock is held by Cobank in the name of the VACC. Cobank stock is non-marketable and is consequently valued at cost.

Vermont Capital Partners, LP

In 2006, VEDA formed Vermont Capital Partners, LP ("VCP"). The Authority also formed VEDA Capital Advisors, LLC, a limited liability company to act as General Partner of VCP. VEDA is the sole member of VEDA Capital Advisors, LLC and, acting as the General Partner, invested $2,000 in VCP. There are four limited partners of VCP who have invested combined capital of $2,750. The VCP partnership agreement specifies that VCP must invest 100% of its capital in Brook Ventures II, LP ("BVII") a Massachusetts based mezzanine debt fund. The target market for BVII is the northeastern United States and BVII focuses on markets historically underserved by mezzanine capital. BVII was selected by the VEDA Board after due diligence by VEDA management and consultation from legal and financial experts in mezzanine debt funds.

Consistent with the authorizing legislation, the primary purpose of VEDA's investment in VCP was "to create job opportunities and support economic development" with possible profit a secondary consideration. Because of this and because there is no ready market for the Authority's investment in VCP, the investment is carried at cost of $2,000 as of June 30, 2015 and 2014.

Accounting principles generally accepted in the United States of America require the General Partner of BVII to estimate the fair value in a manner that may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. The amount of VCP contributed capital outstanding at June 30, 2015 and 2014 was $4,750. The estimated fair value of VCP capital at June 30, 2015 and 2014 was $469 and $2,216, respectively.

The Authority, as General Partner, paid organizational costs to form the VCP and pays ongoing expenses as needed and VEDA will be reimbursed by VCP. As of June 30, 2015 and 2014, the Authority had expended $387 and $365 of reimbursable costs and these costs are recorded in the *Statement of Net Position* under the caption "Other assets."

Vermont Seed Capital Fund, LP

In 2010, VEDA received an appropriation of $2,900 for investment in an entrepreneur seed capital fund. VEDA invested these funds in a limited partnership called the Vermont Seed Capital Fund, LP ("VSCF"). The authorizing legislation stated the primary purpose of forming the VSCF was "to increase the amount of investment capital provided to firms within the State of Vermont and to support job creation and preservation in the State of Vermont." The authorizing legislation provided that VEDA's share of any proceeds from the VSCF be perpetually reinvested in a seed capital fund. VEDA is the one of two limited partners in the VSCF. The other limited partner's investment totals $1,000. The VCET Capital Corporation is the General Partner and is an affiliate entity of the Vermont Center for Emerging Technologies, located in Burlington, Vermont. In fiscal years 2011 to 2013, the State appropriated an additional $1,198 to VEDA for investment in the VSCF. In June of 2015 and 2014, the Authority received $15 and $13, respectively from the State for investment in VSCF.

Because there is no ready market for the Authority's investment in VSCF and because the investment was not made primarily for profit, the investment is carried at cost of $4,126 and $4,111 at June 30, 2015 and 2014, respectively. Since the invested funds cannot be used by VEDA except for reinvestment in the VCSF or another seed capital fund, the investment is included under the captions "Restricted Investments" and as a portion of "Restricted net position" on the *Statement of Net Position*.

Accounting principles generally accepted in the United States of America require the General Partner of the VSCF to estimate the fair value in a manner that may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. The amount of all VSCF contributed capital outstanding at June 30, 2015 and 2014 was $5,126 and $5,111, respectively. The estimated fair value of VSCF capital at June 30, 2015 and 2014 was $4,395 and $4,451, respectively.

Interest Rate Risk on Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The Authority's Investment Policy seeks to minimize interest rate risk through a combination of diversification and duration. Duration is a measure of an investments exposure to changes in fair value that could result from changes in interest rates (i.e. interest rate risk). Duration uses the present value of cash flows from an investment, weighted for the cash flows as a percentage of an investment's full price. The Authority's Investment Committee has selected a diversification mix for its marketable securities (excluding investments recorded at cost) of approximately 60% fixed-income securities with an average duration of less than five years combined with a mix of 40% equity securities of well capitalized domestic and international companies. None of the fixed-income securities have terms which are considered to make them highly sensitive to interest rate changes.

*Dollar Amounts are in Thousands*

## 4) Loans Receivable

The outstanding balance of loans receivable for the years ending June 30, 2015 and 2014 are detailed in the charts below:

| Loans Receivable By Major Program Group - Balances at June 30, 2015: | VJF | VACC | VSBDC | Non-Major Funds Combined | VEDA TOTAL | As a % of TOTAL |
|---|---|---|---|---|---|---|
| Loans to development corporations | $ 18,365 | $ 0 | $ 0 | $ 0 | $ 18,365 | 9% |
| Direct loans to businesses | 81,194 | 0 | 0 | 0 | 81,194 | 38% |
| Agricultural loans | 0 | 76,542 | 0 | 0 | 76,542 | 37% |
| Small business loans | 10,800 | 0 | 20,498 | 2,207 | 33,505 | 16% |
| **Total Loans Receivable** | **$ 110,359** | **$ 76,542** | **$ 20,498** | **$ 2,207** | **$ 209,606** | **100%** |

| Loans Receivable By Major Program Group - Balances at June 30, 2014: | VJF | VACC | VSBDC | Non-Major Funds Combined | VEDA TOTAL | As a % of TOTAL |
|---|---|---|---|---|---|---|
| Loans to development corporations | $ 19,155 | $ 0 | $ 0 | $ 0 | $ 19,155 | 10% |
| Direct loans to businesses | 69,261 | 0 | | 0 | 69,261 | 36% |
| Agricultural loans | 0 | 72,042 | | 0 | 72,042 | 37% |
| Small business loans | 10,772 | 0 | 19,372 | 1,936 | 32,080 | 17% |
| **Total Loans Receivable** | **$ 99,188** | **$ 72,042** | **$ 19,372** | **$ 1,936** | **$ 192,538** | **100%** |

In addition to the loans receivable above, there were $19,088 and $19,368 of Agency Fund loans outstanding at June 30, 2015 and 2014, respectively. These loans are represented on the *Statement of Fiduciary Assets and Liabilities*.

### Allowance for Loan Losses

Changes in the allowance for loan losses ("reserves") result from loss provisions charged to or recovered from operations; the write-off of loans receivable charged to the allowance; and recoveries (collection of prior period write-offs) added to the allowance. The change in the allowance for loan losses for the years ending June 30, 2015 and 2014 are shown in the charts below:

| Change in Allowance for Loan Losses For Year Ending June 30, 2015: | Beginning 2015 Allowance | Add (deduct) Loan Loss Provisions | Less Loan Write-offs | Add Loan Recoveries | Ending 2015 Allowance |
|---|---|---|---|---|---|
| **VJF** | **$ 3,577** | **$ 1,083** | **$ -** | **$ -** | **$ 4,660** |
| **VACC** | **607** | **44** | **68** | **16** | **599** |
| **VSBDC** | **1,582** | **577** | **642** | **13** | **1,530** |
| **Non-Major Funds Combined** | **176** | **23** | **0** | **0** | **199** |
| **VEDA Total** | **$ 5,942** | **$ 1,727** | **$ 710** | **$ 29** | **$ 6,988** |

*Dollar Amounts are in Thousands*

| Change in Allowance for Loan Losses For Year Ending June 30, 2014: | Beginning 2014 Allowance | Add (deduct) Loan Loss Provisions | Less Loan Write-offs | Add Loan Recoveries | Ending 2014 Allowance |
|---|---|---|---|---|---|
| VJF | $ 3,981 | $ 772 | $ 1,233 | $ 57 | $ 3,577 |
| VACC | 563 | 80 | 38 | 2 | 607 |
| VSBDC | 1,004 | 813 | 343 | 108 | 1,582 |
| Non-Major Funds Combined | 94 | 82 | 0 | 0 | 176 |
| VEDA Total | $ 5,642 | $ 1,747 | $ 1,614 | $ 167 | $ 5,942 |

The Authority performs a substantive review of the allowances on a quarterly basis. Management establishes "Specific Reserves" for loans receivable where a loss is probable and also establishes non-specific (i.e. "general") allowances for unidentified future losses. General reserves are based on a review of historical loss experience on the various loan portfolios combined with management's judgment of how those historical trends might relate to future loss experience.

(5) Commercial Paper

Since 1998, the Authority has issued commercial paper to fund its lending operations. From time to time throughout the year, the Authority issues taxable and tax-exempt commercial paper ("CP") to fund new loans and to refund outstanding loans.

Letter of Credit ("LC"):

The Authority utilizes a letter of credit ("LC") to enhance the credit rating of the commercial paper it issues. This credit support is provided by an LC whereby the credit rating of the LC provider elevates the rating for the VEDA CP to "A-1" and "P-1" as rated by Standard and Poor's and Moody's Investor Services, respectively.

In 2014, VEDA renewed and extended its LC agreement with J.P. Morgan Chase Bank, National Association ("JPM"). The JPM credit facility was renewed for $150,000, an increase of $15,000. The LC matures in February 2017 and is collateralized with $20,000 in investment securities and a moral obligation pledge of the State for $130,000. Included under the caption "Interest on commercial paper and notes payable" on the *Statement of Revenues, Expenses and Changes in Net Position* of the VJF are fees related to the LC of $882 and $942 for 2015 and 2014, respectively.

The 2014 LC fees include the amortization of unearned debt issuance costs totaling $19. The amortized unearned costs represented a portion of $114 of prior period legal, consulting, transfer agent and rating agency fees related to the expiring JPM LC. There were no unearned debt issuance costs in 2015.

*Dollar Amounts are in Thousands*

The charts below detail the rates, terms and outstanding commercial paper at June 30, 2015 and 2014:

| Changes in Commercial Paper for the year ending June 30, 2015 | 2015 Beginning Balance | Total CP Issued | Total CP Matured | 2015 Ending Balance |
|---|---|---|---|---|
| Taxable commercial paper | $ 135,000 | $ 540,000 | $ (540,000) | $ 135,000 |
| Tax-exempt commercial paper | 10,500 | 41,350 | (41,150) | 10,700 |
| **Total Commercial Paper** | **$ 145,500** | **$ 581,350** | **$ (581,150)** | **$ 145,700** |

| Changes in Commercial Paper for the year ending June 30, 2014 | 2014 Beginning Balance | Total CP Issued | Total CP Matured | 2014 Ending Balance |
|---|---|---|---|---|
| Taxable commercial paper | $ 120,000 | $ 510,000 | $ (495,000) | $ 135,000 |
| Tax-exempt commercial paper | 11,300 | 42,685 | (43,485) | 10,500 |
| **Total Commercial Paper** | **$ 131,300** | **$ 552,685** | **$ (538,485)** | **$ 145,500** |

The changes in commercial paper due to newly issued or refunded and matured commercial paper during fiscal 2015 and 2014 are shown in the charts below:

| Commercial Paper Outstanding Issued Subsequent to Year End | Issue Date | Mandatory Tender Date | Maturity Date | Rate | Amount Issued |
|---|---|---|---|---|---|
| Taxable commercial paper | 07/06/2015 | 10/06/2015 | 11/10/2015 | 0.33% | $ 135,000 |
| Tax-exempt commercial paper | 07/06/2015 | 10/06/2015 | 11/10/2015 | 0.10% | 10,500 |
| **Total Commercial Paper Outstanding** | | | | **0.31%** | **$ 145,500** |

Subsequent to year end the Authority refunded commercial paper as shown in the chart below:

| Commercial Paper Outstanding at June 30, 2015 | Issue Date | Mandatory Tender Date | Maturity Date | Rate | Amount Outstanding |
|---|---|---|---|---|---|
| Taxable commercial paper | 04/02/2015 | 07/06/2015 | 08/10/2015 | 0.25% | $ 135,000 |
| Tax-exempt commercial paper | 04/02/2015 | 07/06/2015 | 08/10/2015 | 0.07% | 10,700 |
| **Total Commercial Paper Outstanding** | | | | **0.24%** | **$ 145,700** |

| Commercial Paper Outstanding at June 30, 2014 | Issue Date | Mandatory Tender Date | Maturity Date | Rate | Amount Outstanding |
|---|---|---|---|---|---|
| Taxable commercial paper | 04/04/2014 | 07/03/2014 | 08/07/2014 | 0.20% | $ 135,000 |
| Tax-exempt commercial paper | 04/04/2014 | 07/03/2014 | 08/07/2014 | 0.10% | 10,500 |
| **Total Commercial Paper Outstanding** | | | | **0.19%** | **$ 145,500** |

## (6) Interfund Notes Payable and Notes Payable

### Interfund Notes Payable

The VACC and VSBDC borrow monies from the VJF to fund their lending operations under revolving line of credit notes (LOC). The VJF funds the notes with the issuance of commercial paper. The term of both interfund notes payable are for three years and call for monthly interest payments at a floating rate of interest tied to the cost of VEDA’s Taxable CP. The amount of the VACC LOC note was

*Dollar Amounts are in Thousands*

$60,000 at the end of 2015 and 2014. The outstanding balance at June 30, 2015 and 2014 are $48,900 and $57,375, respectively. The VSBDC LOC note amount was $25,000 at the end of 2015 and 2014. The outstanding balance of the VSBDC LOC at June 30, 2015 and 2014 are $11,465 and $10,300, respectively.

Notes Payable

Details of notes payable outstanding at June 30, 2015 and 2014 are shown in the chart below:

| Notes Payable for Years Ending June 30: | Note Amount | Issue Date | Maturity Date | Current Rate | Balance 2014 | Balance 2015 |
|---|---|---|---|---|---|---|
| VJF - Northfield Savings Bank, FSB | $ 3,400 | 12/13/07 | 12/15/22 | 3.25% | $ 2,740 | $ 2,575 |
| VJF - State of Vermont | 10,000 | 02/01/15 | 01/31/25 | 2.43% | 10,000 | 10,000 |
| **VJF - Total Notes Payable** | **$ 13,400** | | | **2.60%** | **$ 12,740** | **$ 12,575** |
| **VACC - CoBank, ACB.** | **$ 30,000** | **12/31/12** | **12/31/13** | **2.15%** | **$ 3,500** | **$ 15,500** |
| VSBDC - USDA Rural Development IRP | $ 1,000 | 08/08/89 | 08/08/19 | 1.00% | $ 249 | $ 209 |
| VSBDC - USDA Rural Development IRP | 1,000 | 10/04/94 | 10/04/24 | 1.00% | 437 | 399 |
| VSBDC - USDA Rural Development IRP | 1,000 | 03/16/95 | 03/16/25 | 1.00% | 425 | 387 |
| VSBDC - USDA Rural Development IRP | 200 | 03/09/06 | 03/09/24 | 1.00% | 116 | 105 |
| VSBDC - USDA Rural Development IRP | 750 | 03/09/06 | 03/09/36 | 1.00% | 750 | 726 |
| VSBDC - USDA Rural Development IRP | 750 | 06/27/08 | 06/27/38 | 1.00% | 626 | 600 |
| VSBDC - USDA Rural Development IRP | 750 | 10/29/09 | 10/29/39 | 1.00% | 676 | 651 |
| VSBDC - USDA Rural Development IRP | 750 | 11/18/10 | 11/18/40 | 1.00% | 726 | 701 |
| VSBDC - USDA Rural Development IRP | 1,000 | 01/10/14 | 01/10/44 | 1.00% | 475 | 1,000 |
| **VSBDC - USDA Rural Development** | **$ 7,200** | | | **1.00%** | **$ 4,480** | **$ 4,778** |
| VT504 - USDA Rural Development IRP | $ 750 | 10/29/09 | 10/29/39 | 1.00% | $ 726 | $ 701 |
| VT504 - USDA Rural Development IRP | 750 | 11/18/10 | 11/18/40 | 1.00% | 750 | 725 |
| VT504 - USDA Rural Development IRP | 1,000 | 02/10/14 | 02/10/44 | 1.00% | 250 | 610 |
| **Non-Major Funds Combined** | **$ 2,500** | | | **1.00%** | **$ 1,726** | **$ 2,036** |
| **Total Notes Payable** | **$ 53,100** | | | **2.09%** | **$ 22,446** | **$ 34,889** |

Mortgage Note Payable

The Authority carries a mortgage with Northfield Savings Bank, FSB ("NSB") on its principal headquarters location in Montpelier, Vermont. The mortgage loan has a fixed-rate of interest and calls for monthly payments of principal and interest.

*Dollar Amounts are in Thousands*

State of Vermont

Under legislation passed in FY 2013, the Authority was allowed to borrow up to $10,000 from the State. At June 30, 2014 the State loan had a four month remaining term and called for principal and interest at maturity. In 2015, the loan was refunded with a ten year final maturity at a fixed-rate for five years and then a one-time adjustment until maturity. The loan calls for interest payments quarterly and principal and interest at maturity.

Cobank, ACB

The VACC has a revolving line of credit agreement with Cobank that was originally entered into in July 1999. The LOC includes annual line reviews and a sixty-day termination notice. The terms of the note call for monthly interest payments at a floating interest rate. Included in VACC interest expense in 2015 and 2014 are fees related to the LOC in the amount of $47 and $33, respectively. The amount outstanding at June 30, 2015 and 2014 was $15,500 and $3,500, respectively.

Intermediary Relending Program

The VSBDC and the VT 504 have nine and three notes payable, respectively, to the USDA Intermediary Relending Program through the U.S. Department of Rural Development. These funds are borrowed at a fixed rate for a period of thirty years and have annual payments of interest for the first three years and twenty-seven years of annual principal and interest.

The schedules below detail the changes in notes payable over the past two years:

| Changes in Note Payable For Year Ending June 30, 2015: | 2015 Beginning Balance | Add New Debt | Less Debt Paid | 2015 Ending Balance |
|---|---|---|---|---|
| VJF | $ 12,740 | $ 0 | $ 165 | $ 12,575 |
| VACC | 3,500 | 14,500 | 2,500 | 15,500 |
| VSBDC | 4,480 | 525 | 227 | 4,778 |
| Non-Major Funds Combined | 1,726 | 360 | 50 | 2,036 |
| **Total for FY 2015** | **$ 22,446** | **$ 15,385** | **$ 2,942** | **$ 34,889** |

| Changes in Note Payable For Year Ending June 30, 2014: | 2014 Beginning Balance | Add New Debt | Less Debt Paid | 2014 Ending Balance |
|---|---|---|---|---|
| VJF | $ 2,870 | $ 10,000 | $ 130 | $ 12,740 |
| VACC | 17,500 | 13,000 | 27,000 | 3,500 |
| VSBDC | 4,205 | 475 | 200 | 4,480 |
| Non-Major Funds Combined | 1,500 | 250 | 24 | 1,726 |
| **Total for FY 2014** | **$ 26,075** | **$ 23,725** | **$ 27,354** | **$ 22,446** |

*Dollar Amounts are in Thousands*

The aggregate maturities of notes payable principal and interest for future years are as follows:

| Notes Payable Principal: Fiscal Year | VJF | VACC | VSBDC | Non-Major Funds Combined | Notes Payable Interest: VJF | VACC | VSBDC | Non-Major Funds Combined |
|---|---|---|---|---|---|---|---|---|
| 2016 | $ 234 | $ 15,500 | $ 230 | $ 49 | $ 316 | $ 545 | $ 48 | $ 20 |
| 2017 | 241 | 0 | 231 | 50 | 309 | 0 | 45 | 20 |
| 2018 | 248 | 0 | 266 | 87 | 301 | 0 | 43 | 19 |
| 2019 | 255 | 0 | 269 | 88 | 294 | 0 | 41 | 19 |
| 2020 | 263 | 0 | 272 | 88 | 287 | 0 | 38 | 18 |
| 2021-2025 | 11,334 | 0 | 1,153 | 457 | 1,229 | 0 | 152 | 75 |
| 2026-2030 | 0 | 0 | 746 | 479 | 0 | 0 | 103 | 51 |
| 2031-2035 | 0 | 0 | 784 | 400 | 0 | 0 | 65 | 28 |
| 2036-2040 | 0 | 0 | 630 | 307 | 0 | 0 | 27 | 11 |
| 2041-2045 | 0 | 0 | 197 | 31 | 0 | 0 | 4 | 0 |
| **Total** | **$ 12,575** | **$ 15,500** | **$ 4,778** | **$ 2,036** | **$ 2,736** | **$ 545** | **$ 566** | **$ 261** |

Financial Debt Covenants

Under the commercial paper and certain note payable debt agreements, the Authority has agreed to comply with certain financial covenants. Some covenants require certain minimum equity levels, to maintain adversely classified loans below a specified level, or to maintain certain debt to assets ratio. As of and for the years ended June 30, 2015 and 2014, the Authority believes it has met its required financial covenants.

(7) Small Business Administration Debentures

The VT504 approves the issuance of SBA guaranteed debentures and uses the proceeds to make loans to eligible businesses. The debentures and the loans they fund are not included in the *Statement of Net Position* of VT504 and accordingly, are not included in these financial statements. The VT504 acts as an originator and servicing agent for the SBA and has no obligation to repay the debentures. The VT504 was servicing $15,743 and $17,150 of loans at June 30, 2015 and 2014, respectively. The VT504 received $140 and $144 in fees related to the SBA 504 Loan Program in 2015 and 2014, respectively.

(8) Operating Leases

The Authority has owned the site of its primary headquarters building located in Montpelier, Vermont since 2007. The real property includes land, adequate parking, and two buildings. The "main" building consists of four floors with aggregate office space of approximately 20,000 square feet; the second building has approximately 2,400 square feet of leasable office space. The Authority occupies the third and fourth floors of the main building as its primary offices and leases the remaining space.

*Dollar Amounts are in Thousands*

| Lease Revenue 56-58 East State | | |
|---|---|---|
| Fiscal Year | | VJF |
| 2016 | $ | 131 |
| 2017 | | 131 |
| 2018 | | 132 |
| 2019 | | 158 |
| 2020 | | 159 |
| 2021-2025 | | 482 |
| 2026-2030 | | 0 |
| **Total** | **$** | **1,193** |

VEDA has operating leases for space in the two buildings it owns. The first two floors in the main building are leased to a single not-for-profit tenant. The lease is for fifteen years with fixed monthly payments for ten years; in the eleventh year the fixed monthly payments increase by 25% and remain fixed at that level for the remaining five years of the lease. The lease requires the lessee to pay a pro-rata share of certain occupancy related expenses including taxes, maintenance, and utilities.

The space in the smaller building is leased to multiple tenants. The leases range from month-to-month to a maximum term of one year. The terms of the leases call for fixed monthly payments. Rental income from both buildings totaled $215 in both 2015 and 2014 and includes the pro rata share of operating expenses paid by the lessee noted above. The projected lease revenue from VEDA tenants are shown in the chart above right.

| Lease Expense 60 Main Street | | |
|---|---|---|
| Fiscal Year | | VJF |
| 2016 | $ | 52 |
| 2017 | | 52 |
| 2018 | | 53 |
| 2019 | | 54 |
| 2020 | | 69 |
| 2021-2025 | | 329 |
| **Total** | **$** | **609** |

Early in fiscal 2014, the Authority entered into a ten year lease for 4,175 square feet of office space and common area at 60 Main Street in Burlington, Vermont. Under the lease, the Authority has fixed monthly payments and a share of common area maintenance and other costs. Payments over the remaining term of the lease are shown by fiscal year in the chart to the right. VEDA has annually renewable leases for space at three satellite offices located in Middlebury, Brattleboro, and St. Johnsbury. The Authority paid occupancy expenses under these leases for the years ended June 30, 2015 and 2014, of $98 and $77, respectively.

## (9) Retirement Plan

The Authority has a non-contributory defined contribution retirement plan for all employees who have completed one year of service. Contributions are based on ten percent of each participant’s compensation. Contributions are made to individual Simplified Employer Plan (“SEP”) accounts held by a financial institution in the participant’s name. Contributions are immediately 100% vested and the Authority does not offer any additional post-employment benefits to its employees. Information regarding the Authority’s retirement plan contributions as a percent of total payroll for employees for the last three years is shown in the chart below:

| Retirement Plan for Fiscal Years ending June 30: | 2013 | 2014 | 2015 |
|---|---|---|---|
| Contributions to Simplified Employer Plan ("SEP") | $ 227 | $ 211 | $ 235 |
| SEP Contributions as a % of Covered Payroll | 10% | 10% | 10% |

## (10) Contingent Liabilities

### Insurance Programs

Under the Authority's two insurance programs (the MIP and FAP) VEDA has a contingent liability to lending institutions for the portion of loans VEDA insures. The full faith and credit of the State is pledged to support the activities of the two programs. The contingent liability in the MIP totaled $1,076 and $1,398 at June 30, 2015 and 2014, respectively. The contingent liability for the FAP totaled $127 and $193 at June 30, 2015 and 2014, respectively.

A loan insured under the MIP in the amount of $810 was in the process of liquidating collateral at June 30, 2015. In 2014, a loss was determined to be probable within an estimated loss range of $273 to $524. In 2015, the range of probable loss was revised to $393 to $524. The Authority recorded a provision for loss related to this loan of $120 and $273 in fiscal 2015 and 2014, respectively.

At June 30, 2014, a second insured loan in the amount $500,000 had an estimated range of loss of $120 to $260; consequently a provision for loss of $120 was recorded in 2014. The insured amount for this loan was reduced to $207 in FY 2015. No loss was determined to be probable at June 30, 2015 and the 2014 loss provision of $120 was reversed. Losses in the MIP are recorded under the caption "Provision for losses on insured loans" on the *Statement of Revenues, Expenses and Changes in Net Position*.

### Other Contingent Liabilities

The Authority receives financial assistance from the Federal government in the form of loan guarantees, grants and interest subsidies. Entitlement to Federal financial assistance is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. All Federal financial assistance programs are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies. Any guarantees paid or amounts received that are disallowed as a result of these audits would become a liability of the Authority. At June 30, 2015 and 2014, management was not aware of any such disallowance.

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages these risks through commercial insurance purchased in the name of the Authority. Insurance settlements have not exceeded insurance coverage for any of the past three years, nor have there been any reductions in insurance coverage.

*Dollar Amounts are in Thousands*

## (11) Loan Commitments Outstanding

At June 30, 2015 the Authority had outstanding commitments for new loans and undisbursed amounts on existing loans. The amounts are expected to be disbursed in the next fiscal year and are detailed in the chart below:

| Outstanding Commitments Balances at June 30, 2015 | VJF | VACC | VSBDC | Non-Major Funds Combined | VEDA TOTAL |
|---|---|---|---|---|---|
| Loan receivable commitments | $ 13,041 | $ 8,027 | $ 2,479 | $ 0 | $ 23,547 |
| Undisbursed loans receivable | 5,850 | 2,806 | 128 | 0 | 8,784 |
| **Outstanding Commitments** | **$ 18,891** | **$ 10,833** | **$ 2,607** | **$ 0** | **$ 32,331** |

## (12) Relationships with the State of Vermont and Other Related Parties

### Advances

In 2014, the Authority received an advance (the "2014 Advance") of $5,500 from the State to fund a portion of a project to build a State office building in St. Albans, Vermont. The terms of the agreement with the State stipulate that as VEDA's borrower repays its loan, the principal portion will be held by VEDA until such time as it is requested from the State. VEDA's obligation to repay the advanced funds is limited to repayments received from the Authority's borrower. In 2015, $109 in principal was collected on the underlying loan and is recorded on the *Statement of Net Position* under the caption "Cash and cash equivalents – Restricted."

In 2012, the Authority received an advance for $1,800 in the VSBDC for an interest rate subsidy program for small businesses impaired by floods in May 2011 and Tropical Storm Irene in September 2011 (the "Flood Advance"). Under the agreement with the State, the Flood Advance is earned annually in an amount equal to the interest subsidies earned on loans enrolled in the two flood loan programs. The amount of the Flood Advance earned in 2015 and 2014 was $1 and $225 respectively; $316 of the advance was returned to the State in 2014. The amount of the advance outstanding at June 30, 2015 and 2014 was $30 and $31 respectively.

In 2009, the Authority received an advance (the "2009 Advance") of $1,250 from the State for interest subsidies in the VJF to stimulate economic activity. Under the agreement with the State, the 2009 Advance is earned annually in an amount equal to the interest subsidies earned on loans enrolled in the program, net of the interest expense saved through use of the funds. The amount of the 2009 Advance earned in 2015 and 2014 was $144 and $392, respectively. The 2009 Advance had $0 and $144 of the advance remaining at June 30, 2015 and 2014, respectively.

*Dollar Amounts are in Thousands*

The amounts earned on advances are reflected under the caption "Advance Appropriation Earned" on the *Statement of Revenues, Expenses and Changes in Net Position* and the outstanding advance balances are reflected on the *Statement of Net Position* under the caption "Other Liability – State of Vermont."

Insurance Fund and Financial Access Programs

By statute the State of Vermont pledges its full faith and credit to support the operations of the MIP and FAP. The statute also calls for all net income to be transferred annually to the State. The transfers between VEDA and the State are recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Non-operating income from State of Vermont" if VEDA receives funds and "Non-operating expense to the State" if VEDA has disbursed funds.

Agency Funds

VEDA services loan programs for various Agencies of the State. The Authority provides underwriting, servicing, fiduciary and accounting services for these programs. VEDA holds cash for all programs and loans receivable for three programs in the Authority's name. These assets are recorded on the *Statement of Fiduciary Assets and Liabilities for the Agency Funds*.

A summary of the cash and loans receivable at June 30, 2015 and 2014 for the respective State agencies are shown in the chart below:

| At June 30, 2015: | DWF | CEDF | SIB | BRF | TOTAL |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 2,261 | $ 775 | $ 3,300 | $ 225 | $ 6,561 |
| Loans receivable | 14,541 | 3,552 | 0 | 995 | 19,088 |
| **Total Due To Agency** | **$ 16,802** | **$ 4,327** | **$ 3,300** | **$ 1,220** | **$ 25,649** |

| At June 30, 2014: | DWF | CEDF | SIB | BRF | TOTAL |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 1,908 | $ 797 | $ 3,150 | $ 128 | $ 5,983 |
| Loans receivable | 14,880 | 4,147 | 0 | 341 | 19,368 |
| **Total Due To Agency** | **$ 16,788** | **$ 4,944** | **$ 3,150** | **$ 469** | **$ 25,351** |

The Agency Fund programs are described in more detail below:

Drinking Water State Revolving Fund ("DWF")

VEDA assists the Agency of Natural Resources ("ANR") in the operation of the DWF which makes loans to private entities for drinking water improvement projects. The Authority issues loans receivable and is assisted by the ANR in approving the loans. The VJF earned $98 and $114 in fees in 2015 and 2014, respectively.

Clean Energy Development Fund ("CEDF")

The Authority provides services to CEDF which is operated by the State Department of Public Service ("DPS"). The CEDF makes grants and loans to businesses for the purpose of developing and marketing renewable and clean sources of energy. The VJF earned $40 and $52 in fees for services in 2015 and 2014, respectively.

State Infrastructure Bank ("SIB")

The SIB makes municipal and private sector loans for transportation infrastructure-related projects at the direction of its Board and in conjunction with the State Agency of Transportation. The VJF earned $6 in fees for services in both 2015 and 2014.

Brownfield Revitalization Fund ("BRF")

The Authority provides services to the State Agency of Commerce and Community Development ("ACCD") in the operation of the BRF. The BRF makes loans to businesses or individuals for the purpose of cleaning up environmentally "dirty" sites (a "Brownfield"). The VJF earned $14 and $7 in fees for services in 2015 and 2014, respectively.

Grants on Behalf of the State

Pursuant to an agreement with the State, VEDA funds grants made by two State Agencies. The grants fund farm waste remediation and disposal projects as well as projects to control the pollution of lakes and streams in Vermont. No grants were disbursed in 2015 or 2014. The amount available for grants at June 30, 2015 and 2014 totaled $201 and is recorded on the *Statement of Net Position* under the caption "Other Liability - State of Vermont." Subsequent to year end, the remaining balance of $201 was disbursed to the State.

Other Related Parties

In 2010, a Member of the Authority took the position of Chief Financial Officer for a VEDA Borrower. The Borrower's loan from VEDA is in the amount of $1,300 and was approved by the Board in May 2009 prior to the Member accepting the position. The balance on the related party loan was $459 and $495 at June 30, 2015 and 2014, respectively. The member retired from the board in 2014.

## (13) Restricted Net Position

VEDA had restricted net position of $26,374 and $26,954 at June 30, 2015 and 2014, respectively. The purpose of the various restricted net position amounts are described below:

Commercial Paper Collateral

Under the letter of credit agreement with JPM (Note 5) the Authority is required to have a minimum of $20,000 in fair value of marketable securities held with a trustee as collateral. In addition, the Authority must also place with the trustee the amount of interest due the holders of the VEDA commercial paper at maturity of the CP. These amounts are represented as restricted assets on the *Statement of Net Position*.

Vermont Seed Capital Fund

The Authority has net position restricted representing its investment in the Vermont Seed Capital Fund (Note 3). By statute, all revenues derived from the fund must be reinvested in the fund. Consequently, the amount of the investment is recorded on the *Statement of Net Position* as a restricted investment.

Interest Rate Subsidies

Beginning in fiscal year 2000, the Authority has periodically received resources from the State (appropriations and debt forgiveness) for interest rate subsidies. For VEDA, a subsidy is defined as the difference between the interest rate charged to a borrower and the interest rate that is required to cover operating costs and provide growth in net position. As a result of various agreements with the State, amounts are recorded as net position restricted "For interest rate subsidies" on *Statement of Net Position* (VJF and VACC). As the interest subsidies are earned, restricted net position is reduced and unrestricted net position in increased. Under the agreements, no restriction was placed on the assets provided to the Authority and consequently there are no corresponding restricted assets on the *Statement of Net Position*.

Energy Loan Guarantee Program

The Authority has contributed $500 for the cash corpus of a reserve fund for VEDA guarantees on bank loans made for energy generation or conservation projects. In 2014, the State matched VEDA's contribution with a $500 appropriation to make the aggregate reserve $1,000. Participating financial institutions had enrolled $69 and $6 of loans in the loan guarantee program as of June 30, 2015 and 2014, respectively.

Federal Program

Under the terms of the agreement with the US Treasury for the State Small Business Credit Initiative (Note 13) the portion of interest and fee revenue generated through the use of the federal funds must be restricted for use within the approved federal programs.

VEDA Capital Access Program ("VCAP")

Included in Restricted cash and cash equivalents was $213 and $130 in the VJF at June 30, 2015 and 2014, respectively. These amounts are reserve funds held at banks participating in the VCAP. The Authority's portion of the reserve accounts are recorded as restricted net position and the participating bank portions are recorded under the caption "Escrow and reserve accounts" on the *Statement of Net Position*.

*Dollar Amounts are in Thousands*

Investment in Cobank

As part of the agreement with Cobank (Note 6) the VACC is required to purchase stock in Cobank which can only be redeemed when the relationship is terminated. The investment is recorded under the caption "Restricted investments" on the Statement of Net Position.

The detail of the changes in restricted net position for the past two years is shown in the chart below:

| Restricted Net Position for Years Ending June 30, 2013, 2014 & 2015: | Balance at 06/30/2013 | Increase (Decrease) | Balance at 06/30/2014 | Increase (Decrease) | Balance at 06/30/2015 |
|---|---|---|---|---|---|
| For commercial paper collateral | $ 20,064 | $ 6 | $ 20,070 | $ 21 | $ 20,091 |
| For Vermont seed capital fund | 4,097 | 14 | 4,111 | 15 | 4,126 |
| For interest rate subsidies | 543 | (318) | 225 | (225) | 0 |
| For energy guarantee program | 500 | 500 | 1,000 | 0 | 1,000 |
| For federal program | 107 | 166 | 273 | (188) | 85 |
| For VEDA Capital Access Program | 49 | 16 | 65 | 38 | 103 |
| **VJF Total** | **25,360** | **384** | **25,744** | **(339)** | **25,405** |
| For interest rate subsidies | 851 | (242) | 609 | (260) | 349 |
| For investment in Cobank | 546 | 55 | 601 | 19 | 620 |
| **VACC Total** | **1,397** | **(187)** | **1,210** | **(241)** | **969** |
| **Totals at June 30, 2013, 2014 and 2015** | **$ 26,757** | **$ 197** | **$ 26,954** | **$ (580)** | **$ 26,374** |

## (14) Unearned Revenue for Federal Program

In 2011, the United States Department of Treasury, under the State Small Business Credit Initiative Act of 2010 ("SSBCI") disbursed $4,346 to the Authority as part of a total allocation of $13,168 to the State. In 2014, VEDA received the remaining $8,823. The SSBCI funds are used to fund a portion of eligible projects in the VJF. In 2013 VEDA amended its SSBCI program with Treasury and under the amendment the VCAP was eliminated from the Federal program though it continues to be operated using VEDA funds. In addition, the commercial and small business programs were consolidated within the VJF.

The SSBCI funds are recorded on the *Statement of Net Position* under the caption "Unearned revenue for federal program." The revenue is earned at the time funds are disbursed on an eligible loans receivable. The amount of SSBCI funds earned on any project cannot exceed the lower of 20% of the total project costs or the VEDA note amount. In 2015 and 2014, the Authority earned $4,364 and $4,441 respectively of the SSBCI grant which is recorded on the *Statement of Revenues, Expenses and Changes in Net Position* under the caption "Federal Grant Revenue Earned." The Authority had unearned revenue related to the SSBCI programs of $295 and $4,659 at June 30, 2015 and 2014, respectively.

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

(A Component Unit of the State of Vermont)

# SUPPLEMENTARY INFORMATION

## Combining Financial Statements - Non-Major Funds Combined

Combining Financial Statements – Vermont Small Business Development Corporation

Combining Financial Statements – Vermont 504 Corporation

June 30, 2015 and 2014

## Supplementary Schedules

# Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Net Position - Non-Major Funds Combined
as of June 30, 2015

| *Dollar Amounts in Thousands* | Vermont 504 Corporation | Mortgage Insurance Fund | Financial Access Program | Non-Major Funds Combined |
|---|---|---|---|---|
| Current Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Unrestricted | $ 1,036 | $ 0 | $ 0 | $ 1,036 |
| Restricted | 0 | 2 | 47 | 49 |
| Total cash and cash equivalents | 1,036 | 2 | 47 | 1,085 |
| | | | | |
| Loans receivable | 302 | 0 | 0 | 302 |
| Accrued interest receivable | 5 | 0 | 0 | 5 |
| Receivable from State of Vermont | 0 | 395 | 0 | 395 |
| Total current assets | 1,343 | 397 | 47 | 1,787 |
| | | | | |
| Loans receivable, less current portion | 1,905 | 0 | 0 | 1,905 |
| Less allowance for loan losses | (199) | 0 | 0 | (199) |
| Loans receivable, less current portion, net of allowance | 1,706 | 0 | 0 | 1,706 |
| | | | | |
| **Total assets** | **$ 3,049** | **$ 397** | **$ 47** | **$ 3,493** |
| | | | | |
| Current Liabilities: | | | | |
| Notes payable | $ 49 | $ 0 | $ 0 | $ 49 |
| Escrow and reserve accounts | 0 | 0 | 47 | 47 |
| Interfund accounts payable | 26 | 4 | 0 | 30 |
| Reserve for losses on insured loans | 0 | 393 | 0 | 393 |
| Accrued interest payable | 12 | 0 | 0 | 12 |
| Total current liabilities | 87 | 397 | 47 | 531 |
| | | | | |
| Notes payable, less current portion | 1,987 | 0 | 0 | 1,987 |
| | | | | |
| **Total liabilities** | **$ 2,074** | **$ 397** | **$ 47** | **$ 2,518** |
| | | | | |
| **Unrestricted net position** | **$ 975** | **$ 0** | **$ 0** | **$ 975** |

# Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Combining Statement of Net Position - Non-Major Funds Combined

as of June 30, 2014

| *Dollar Amounts in Thousands* | Vermont 504 Corporation | Mortgage Insurance Fund | Financial Access Program | Non-Major Funds Combined |
|---|---|---|---|---|
| Current Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Unrestricted | $ 878 | $ 0 | $ 0 | $ 878 |
| Restricted | 0 | 5 | 58 | 63 |
| Total cash and cash equivalents: | 878 | 5 | 58 | 941 |
| | | | | |
| Loans receivable | 104 | 0 | 0 | 104 |
| Accrued interest receivable | 3 | 0 | 0 | 3 |
| Receivable from State of Vermont | 0 | 393 | 0 | 393 |
| Total current assets | 985 | 398 | 58 | 1,441 |
| | | | | |
| Loans receivable, less current portion | 1,832 | 0 | 0 | 1,832 |
| Less allowance for loan losses | (176) | 0 | 0 | (176) |
| Loans receivable, less current portion, net of allowance | 1,656 | 0 | 0 | 1,656 |
| | | | | |
| **Total assets** | **$ 2,641** | **$ 398** | **$ 58** | **$ 3,097** |
| | | | | |
| Current Liabilities: | | | | |
| Notes payable | $ 49 | $ 0 | $ 0 | $ 49 |
| Escrow and reserve accounts | 0 | 0 | 58 | 58 |
| Interfund accounts payable | 20 | 2 | 0 | 22 |
| Due to State of Vermont | 0 | 3 | 0 | 3 |
| Reserve for losses on insured loans | 0 | 393 | 0 | 393 |
| Accrued interest payable | 10 | 0 | 0 | 10 |
| Total current liabilities | 79 | 398 | 58 | 535 |
| | | | | |
| Notes payable, less current portion | 1,677 | 0 | 0 | 1,677 |
| | | | | |
| **Total liabilities** | **$ 1,756** | **$ 398** | **$ 58** | **$ 2,212** |
| | | | | |
| **Unrestricted net position** | **$ 885** | **$ 0** | **$ 0** | **$ 885** |

# Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Combining Statement of Revenues, Expenses and Changes in Net Position -

Non-Major Funds Combined

For the year ended June 30, 2015

| *Dollar Amounts in Thousands* | Vermont 504 Corporation | Mortgage Insurance Fund | Financial Access Program | Non-Major Funds Combined |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Cash and investment interest | $ 2 | $ 0 | $ 0 | $ 2 |
| Loans receivable interest | 104 | 0 | 0 | 104 |
| Other revenues | 140 | 34 | 0 | 174 |
| Total operating revenues | 246 | 34 | 0 | 280 |
| Operating Expenses: | | | | |
| Interest on notes payable | 18 | 0 | 0 | 18 |
| Provision for loan losses | 23 | 0 | 0 | 23 |
| Professional fees | 17 | (1) | 0 | 16 |
| Interfund expense allocation | 121 | 23 | 0 | 144 |
| Total operating expenses | 179 | 22 | 0 | 201 |
| **Operating income** | **67** | **12** | **0** | **79** |
| Non-operating revenue (expense): | | | | |
| Non-operating revenue - State of Vermont | 0 | 0 | 0 | 0 |
| Non-operating expense - State of Vermont | 0 | (12) | 0 | (12) |
| Interfund non-operating revenue | 23 | 0 | 0 | 23 |
| Total non-operating revenue (expense) | 23 | (12) | 0 | 11 |
| **Net increase in net position** | **90** | **0** | **0** | **90** |
| Net position at beginning of year | 885 | 0 | 0 | 885 |
| **Net position at end of year** | $ 975 | $ 0 | $ 0 | $ 975 |

# Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Combining Statement of Revenues, Expenses and Changes in Net Position -
Non-Major Funds Combined
For the year ended June 30, 2014

| *Dollar Amounts in Thousands* | Vermont 504 Corporation | Mortgage Insurance Fund | Financial Access Program | Non-Major Funds Combined |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Cash and investment interest | $ 2 | $ 0 | $ 0 | $ 2 |
| Loans receivable interest | 91 | 0 | 0 | 91 |
| Other revenues | 144 | 65 | 0 | 209 |
| Total operating revenues | 237 | 65 | 0 | 302 |
| Operating Expenses: | | | | |
| Interest on notes payable | 16 | 0 | 0 | 16 |
| Provision for loan losses | 82 | 0 | 0 | 82 |
| Provision for losses on insured loans | 0 | 393 | 0 | 393 |
| Professional fees | 9 | 0 | 0 | 9 |
| Interfund expense allocation | 116 | 11 | 0 | 127 |
| Total operating expenses | 223 | 404 | 0 | 627 |
| **Operating income (loss)** | **14** | **(339)** | **0** | **(325)** |
| Non-operating revenue (expense): | | | | |
| Non-operating revenue - State of Vermont | 0 | 393 | 0 | 393 |
| Non-operating expense - State of Vermont | 0 | (54) | 0 | (54) |
| Interfund non-operating revenue | 6 | 0 | 0 | 6 |
| Total non-operating revenue | 6 | 339 | 0 | 345 |
| **Net increase in net position** | **20** | **0** | **0** | **20** |
| Net position at beginning of year | 865 | 0 | 0 | 865 |
| **Net position at end of year** | $ 885 | $ 0 | $ 0 | $ 885 |

# Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Combining Statement of Cash Flows - Non-Major Funds Combined

For the Year Ended June 30, 2015

| *Dollar Amounts in Thousands* | Vermont 504 Corporation | Mortgage Insurance Fund | Financial Access Program | Non-Major Funds Combined |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Interest received on loans receivable | $ 102 | $ 0 | $ 0 | $ 102 |
| Other revenues received | 140 | 34 | 0 | 174 |
| Operating expenses paid other than interest | (132) | (20) | 0 | (152) |
| Disbursements to participating FAP banks, net | 0 | 0 | (11) | (11) |
| Principal received on loans receivable | 108 | 0 | 0 | 108 |
| Principal disbursed on loans receivable | (269) | 0 | 0 | (269) |
| Net cash (used for) provided by operating activities | (51) | 14 | (11) | (48) |
| Cash flows from non-capital financing activities: | | | | |
| Interest paid on notes payable | (16) | 0 | 0 | (16) |
| Interfund non-operating income received | 23 | 0 | 0 | 23 |
| Interfund transfer of loans receivable for cash | (110) | 0 | 0 | (110) |
| Non-operating income received from State of Vermont | 0 | 12 | 0 | 12 |
| Non-operating expense paid - State of Vermont | 0 | (29) | 0 | (29) |
| Proceeds from notes payable | 360 | 0 | 0 | 360 |
| Payments on notes payable | (50) | 0 | 0 | (50) |
| Net cash provided by (used for) non-capital financing activities | 207 | (17) | 0 | 190 |
| Cash flows from investing activities: | | | | |
| Interest received on cash and investments | 2 | 0 | 0 | 2 |
| Net cash provided by investing activities | 2 | 0 | 0 | 2 |
| **Net increase (decrease) in cash and cash equivalents** | **158** | **(3)** | **(11)** | **144** |
| Cash and cash equivalents at beginning of year | 878 | 5 | 58 | 941 |
| **Cash and cash equivalents at end of year** | **$ 1,036** | **$ 2** | **$ 47** | **$ 1,085** |
| Reconciliation of operating income to net cash (used for) provided by operating activities: | | | | |
| Operating income | $ 67 | $ 12 | $ 0 | $ 79 |
| Adjustments to reconcile operating income to net cash used for operating activities: | | | | |
| Interest income on investment activities | (2) | 0 | 0 | (2) |
| Interest paid on notes payable | 18 | 0 | 0 | 18 |
| Provision for loan losses | 23 | 0 | 0 | 23 |
| Interfund transfer of loans receivable | 110 | 0 | 0 | 110 |
| Changes in assets and liabilities: | | | | |
| Loans receivable | (271) | 0 | 0 | (271) |
| Accrued interest receivable | (2) | 0 | 0 | (2) |
| Escrow and reserve accounts | 0 | 0 | (11) | (11) |
| Interfund accounts payable | 6 | 2 | 0 | 8 |
| Net cash (used for) provided by operating activities | $ (51) | $ 14 | $ (11) | $ (48) |

# Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Combining Statement of Cash Flows - Non-Major Funds Combined

For the Year Ended June 30, 2014

| *Dollar Amounts in Thousands* | Vermont 504 Corporation | Mortgage Insurance Fund | Financial Access Program | Non-Major Funds Combined |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Interest received on loans receivable | $ 92 | $ 0 | $ 0 | $ 92 |
| Other revenues received | 144 | 65 | 0 | 209 |
| Operating expenses paid other than interest | (52) | 3 | 0 | (49) |
| Disbursements to participating FAP banks, net | 0 | 0 | (18) | (18) |
| Principal received on loans receivable | 151 | 0 | 0 | 151 |
| Net cash provided by (used for) operating activities | 335 | 68 | (18) | 385 |
| | | | | |
| Cash flows from non-capital financing activities: | | | | |
| Interest paid on notes payable | (16) | 0 | 0 | (16) |
| Interfund operating transfer received | 6 | 0 | 0 | 6 |
| Interfund transfer of loans receivable for cash | (362) | 0 | 0 | (362) |
| Non-operating expense paid to State of Vermont | 0 | (91) | (3) | (94) |
| Proceeds from notes payable | 250 | 0 | 0 | 250 |
| Payments on notes payable | (24) | 0 | 0 | (24) |
| Net cash used for non-capital financing activities | (146) | (91) | (3) | (240) |
| | | | | |
| Cash flows from investing activities: | | | | |
| Interest received on cash and investments | 2 | 0 | 1 | 3 |
| Net cash provided by investing activities | 2 | 0 | 1 | 3 |
| | | | | |
| **Net increase (decrease) in cash and cash equivalents** | **191** | **(23)** | **(20)** | **148** |
| | | | | |
| Cash and cash equivalents at beginning of year | 687 | 28 | 78 | 793 |
| | | | | |
| **Cash and cash equivalents at end of year** | **$ 878** | **$ 5** | **$ 58** | **$ 941** |
| | | | | |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | $ 14 | $ (339) | $ 0 | $ (325) |
| Adjustments to reconcile operating income (loss) to net provided by (cash used) for operating activities: | | | | |
| Interest income on investment activities | (2) | 0 | (1) | (3) |
| Interest expense paid on notes payable | 16 | 0 | 0 | 16 |
| Provision for loan losses | 82 | 0 | 0 | 82 |
| Provision for losses on insured loans | 0 | 393 | 0 | 393 |
| Interfund transfer of loans receivable | 362 | 0 | 0 | 362 |
| Changes in assets and liabilities: | | | | |
| Loans receivable | (211) | 0 | 0 | (211) |
| Accrued interest receivable | 1 | 0 | 1 | 2 |
| Other assets | 0 | 4 | 0 | 4 |
| Escrow and reserve accounts | 0 | 0 | (18) | (18) |
| Interfund accounts payable | 73 | 10 | 0 | 83 |
| Net cash provided by (used for) operating activities | $ 335 | $ 68 | $ (18) | $ 385 |

# Vermont Small Business Development Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Net Position

as of June 30, 2015 and 2014

| *Dollar Amounts in Thousands* | as of June 30, 2015 | | | as of June 30, 2014 | | |
|---|---|---|---|---|---|---|
| | VSBDC IRP Fund | VSBDC Loan Fund | VSBDC Combined Total | VSBDC IRP Fund | VSBDC Loan Fund | VSBDC Combined Total |
| Current Assets: | | | | | | |
| Unrestricted cash and cash equivalents | $ 1,116 | $ 119 | $ 1,235 | $ 297 | $ 306 | $ 603 |
| Loans receivable | 813 | 1,828 | 2,641 | 700 | 2,054 | 2,754 |
| Accrued interest receivable | 14 | 27 | 41 | 14 | 30 | 44 |
| Other assets | (2) | 5 | 3 | 9 | 4 | 13 |
| Total current assets | 1,941 | 1,979 | 3,920 | 1,020 | 2,394 | 3,414 |
| Loans receivable, less current portion | 5,120 | 12,737 | 17,857 | 5,600 | 11,018 | 16,618 |
| Less allowance for loan losses | (322) | (1,208) | (1,530) | (308) | (1,274) | (1,582) |
| Loans receivable, less current portion, net of allowance | 4,798 | 11,529 | 16,327 | 5,292 | 9,744 | 15,036 |
| **Total assets** | **$ 6,739** | **$ 13,508** | **$ 20,247** | **$ 6,312** | **$ 12,138** | **$ 18,450** |
| Current Liabilities: | | | | | | |
| Interfund note payable | $ 0 | $ 11,465 | $ 11,465 | $ 0 | $ 10,300 | $ 10,300 |
| Notes payable | 230 | 0 | 230 | 228 | 0 | 228 |
| Accounts payable and accrued expenses | 3 | 0 | 3 | 0 | 0 | 0 |
| Interfund accounts (receivable) payable | (114) | 635 | 521 | (59) | 132 | 73 |
| Other liability - State of Vermont | 0 | 31 | 31 | 0 | 32 | 32 |
| Accrued interest payable | 22 | 0 | 22 | 19 | 0 | 19 |
| Total current liabilities | 141 | 12,131 | 12,272 | 188 | 10,464 | 10,652 |
| Notes payable, less current portion | 4,548 | 0 | 4,548 | 4,252 | 0 | 4,252 |
| **Total liabilities** | **$ 4,689** | **$ 12,131** | **$ 16,820** | **$ 4,440** | **10,464** | **$ 14,904** |
| **Unrestricted net position** | **$ 2,050** | **$ 1,377** | **$ 3,427** | **$ 1,872** | **$ 1,674** | **$ 3,546** |

# Vermont Small Business Development Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2015 and 2014

| *Dollar Amounts in Thousands* | For the Year Ended June 30, 2015 VSBDC IRP Fund | VSBDC Loan Fund | VSBDC Combined Total | For the Year Ended June 30, 2014 VSBDC IRP Fund | VSBDC Loan Fund | VSBDC Combined Total |
|---|---|---|---|---|---|---|
| Operating Revenues: | | | | | | |
| Cash and investment interest | $ 2 | $ 1 | $ 3 | $ 3 | $ 2 | $ 5 |
| Loans receivable interest | 303 | 634 | 937 | 259 | 591 | 850 |
| Other revenues | 13 | 34 | 47 | 11 | 22 | 33 |
| Total operating revenues | 318 | 669 | 987 | 273 | 615 | 888 |
| Operating Expenses: | | | | | | |
| Interfund interest expense | 0 | 111 | 111 | 0 | 139 | 139 |
| Interest on notes payable | 46 | 0 | 46 | 42 | 0 | 42 |
| Provision for loan losses | 3 | 574 | 577 | (81) | 894 | 813 |
| Professional fees | 20 | (7) | 13 | 6 | (3) | 3 |
| Interfund expense allocation | 110 | 272 | 382 | 98 | 275 | 373 |
| Total operating expenses | 179 | 950 | 1,129 | 65 | 1,305 | 1,370 |
| **Operating income (loss)** | **139** | **(281)** | **(142)** | **208** | **(690)** | **(482)** |
| Non-operating revenue: | | | | | | |
| Non-operating revenue - State of Vermont | 0 | 0 | 0 | 0 | 69 | 69 |
| Appropriation earned from advance | 0 | 0 | 0 | 0 | 225 | 225 |
| Interfund non-operating revenue (expense) | 39 | (16) | 23 | 265 | (526) | (261) |
| Total non-operating revenue (expense) | 39 | (16) | 23 | 265 | (232) | 33 |
| **Net increase (decrease) in net position** | **178** | **(297)** | **(119)** | **473** | **(922)** | **(449)** |
| Net position at beginning of year | 1,872 | 1,674 | 3,546 | 1,399 | 2,596 | 3,995 |
| Net position at end of year | $ 2,050 | $ 1,377 | $ 3,427 | $ 1,872 | $ 1,674 | $ 3,546 |

# Vermont Small Business Development Corporation
## (A Component Unit of the Vermont Economic Development Authority)
## Combining Statement of Cash Flows
## For the Years Ended June 30, 2015 and 2014

| *Dollar Amounts in Thousands* | For the Year Ended June 30, 2015 VSBDC IRP Fund | VSBDC Loan Fund | VSBDC Combined Total | For the Year Ended June 30, 2014 VSBDC IRP Fund | VSBDC Loan Fund | VSBDC Combined Total |
|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | |
| Interest received on loans receivable | $ 303 | $ 637 | $ 940 | $ 258 | $ 580 | $ 838 |
| Other revenues received | 13 | 34 | 47 | 11 | 22 | 33 |
| Operating expenses paid other than interest | (171) | 237 | 66 | 617 | 831 | 1,448 |
| Principal received on loans receivable | 852 | 2,815 | 3,667 | 683 | 3,823 | 4,506 |
| Principal disbursed on loans receivable | (619) | (4,217) | (4,836) | (835) | (1,970) | (2,805) |
| Net cash provided by (used for) operating activities | 378 | (494) | (116) | 734 | 3,286 | 4,020 |
| Cash flows from noncapital financing activities: | | | | | | |
| Interest paid on interfund note payable | 0 | (111) | (111) | 0 | (139) | (139) |
| Interest paid on notes payable | (43) | 0 | (43) | (42) | 0 | (42) |
| Advanced funds returned to State of Vermont | 0 | 0 | 0 | 0 | (316) | (316) |
| Non-operating revenue - State of Vermont | 0 | 0 | 0 | 0 | 69 | 69 |
| Interfund non-operating revenue (expense) | 39 | (16) | 23 | 265 | (526) | (261) |
| Interfund transfer of loans receivable | 145 | (732) | (587) | (1,570) | 1,774 | 204 |
| Payments on interfund note payable | 0 | 1,165 | 1,165 | 0 | (4,250) | (4,250) |
| Proceeds from notes payable | 475 | 0 | 475 | 475 | 0 | 475 |
| Payments on notes payable | (177) | 0 | (177) | (200) | 0 | (200) |
| Net cash provided by (used for) non-capital financing activities | 439 | 306 | 745 | (1,072) | (3,388) | (4,460) |
| Cash flows from investing activities: | | | | | | |
| Interest received on cash and investments | 2 | 1 | 3 | 3 | 2 | 5 |
| Net cash provided by investing activities | 2 | 1 | 3 | 3 | 2 | 5 |
| **Net increase (decrease) in cash and cash equivalents** | **819** | **(187)** | **632** | **(335)** | **(100)** | **(435)** |
| Cash and cash equivalents at beginning of year | 297 | 306 | 603 | 632 | 406 | 1,038 |
| **Cash and cash equivalents at end of year** | **$ 1,116** | **$ 119** | **$ 1,235** | **$ 297** | **$ 306** | **$ 603** |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| **Operating income (loss)** | **$ 139** | **$ (281)** | **$ (142)** | **$ 208** | **$ (690)** | **$ (482)** |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Interest income on investment activities | (2) | (1) | (3) | (3) | (2) | (5) |
| Interest paid on interfund notes payable | 0 | 111 | 111 | 0 | 139 | 139 |
| Interest expense on notes payable | 46 | 0 | 46 | 42 | 0 | 42 |
| Provision for loan losses | 3 | 574 | 577 | (81) | 894 | 813 |
| Interfund transfer of loans receivable for cash | (145) | 732 | 587 | 1,570 | (1,774) | (204) |
| Changes in assets and liabilities: | | | | | | |
| Loans receivable | 367 | (1,493) | (1,126) | (1,691) | 3,831 | 2,140 |
| Allowance for loan losses | 11 | (640) | (629) | (31) | (204) | (235) |
| Accrued interest receivable | 0 | 3 | 3 | (1) | (11) | (12) |
| Other assets | 11 | (1) | 10 | (6) | (3) | (9) |
| Accounts payable and accrued expenses | 3 | 0 | 3 | 0 | 0 | 0 |
| Interfund accounts payable | (55) | 502 | 447 | 727 | 1,106 | 1,833 |
| Net cash provided by (used for) operating activities | $ 378 | $ (494) | $ (116) | $ 734 | $ 3,286 | $ 4,020 |

## Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Net Position

as of June 30, 2015 and 2014

| *Dollar Amounts in Thousands* | as of June 30, 2015 | | | as of June 30, 2014 | | |
|---|---|---|---|---|---|---|
| | VT504 IRP Fund | VT504 SBA CDC Fund | VT504 Combined Total | VT504 IRP Fund | VT504 SBA CDC Fund | VT504 Combined Total |
| Current Assets: | | | | | | |
| Unrestricted cash and cash equivalents | $ 834 | $ 202 | $ 1,036 | $ 720 | $ 158 | $ 878 |
| Loans receivable | 302 | 0 | 302 | 104 | 0 | 104 |
| Accrued interest receivable | 5 | 0 | 5 | 3 | 0 | 3 |
| Total current assets | 1,141 | 202 | 1,343 | 827 | 158 | 985 |
| Loans receivable, less current portion | 1,905 | 0 | 1,905 | 1,832 | 0 | 1,832 |
| Less allowance for loan losses | (199) | 0 | (199) | (176) | 0 | (176) |
| Loans receivable, less current portion, net of allowance | 1,706 | 0 | 1,706 | 1,656 | 0 | 1,656 |
| **Total assets** | **$ 2,847** | **$ 202** | **$ 3,049** | **$ 2,483** | **158** | **$ 2,641** |
| Current Liabilities: | | | | | | |
| Notes payable | $ 49 | $ 0 | $ 49 | $ 49 | $ 0 | $ 49 |
| Interfund accounts payable | 5 | 21 | 26 | 4 | 16 | 20 |
| Accrued interest payable | 12 | 0 | 12 | 10 | 0 | 10 |
| Total current liabilities | 66 | 21 | 87 | 63 | 16 | 79 |
| Notes payable, less current portion | 1,987 | 0 | 1,987 | 1,677 | 0 | 1,677 |
| **Total liabilities** | **$ 2,053** | **$ 21** | **$ 2,074** | **$ 1,740** | **16** | **$ 1,756** |
| **Unrestricted net position** | **$ 794** | **$ 181** | **$ 975** | **$ 743** | **$ 142** | **$ 885** |

# Vermont 504 Corporation

## (A Component Unit of the Vermont Economic Development Authority)

## Combining Statement of Revenues, Expenses and Changes in Net Position

## For the Years Ended June 30, 2015 and 2014

| *Dollar Amounts in Thousands* | For the Year Ended June 30, 2015 | | | For the Year Ended June 30, 2014 | | |
|---|---|---|---|---|---|---|
| | VT504 IRP Fund | VT504 SBA CDC Fund | VT504 Combined Total | VT504 IRP Fund | VT504 SBA CDC Fund | VT504 Combined Total |
| Operating Revenues: | | | | | | |
| Cash and investment interest | $ 2 | $ 0 | $ 2 | $ 1 | $ 1 | $ 2 |
| Loans receivable interest | 104 | 0 | 104 | 91 | 0 | 91 |
| Other revenues | 2 | 138 | 140 | 0 | 144 | 144 |
| Total operating revenues | 108 | 138 | 246 | 92 | 145 | 237 |
| Operating Expenses: | | | | | | |
| Interest on notes payable | 18 | 0 | 18 | 16 | 0 | 16 |
| Provision for loan losses | 23 | 0 | 23 | 82 | 0 | 82 |
| Professional fees | 0 | 17 | 17 | 0 | 9 | 9 |
| Interfund expense allocation | 39 | 82 | 121 | 26 | 90 | 116 |
| Total operating expenses | 80 | 99 | 179 | 124 | 99 | 223 |
| **Operating income (expense)** | **28** | **39** | **67** | **(32)** | **46** | **14** |
| Non-operating revenue (expense) - interfund transfers | 23 | 0 | 23 | 256 | (250) | 6 |
| **Net increase (decrease) in net position** | **51** | **39** | **90** | **224** | **(204)** | **20** |
| Net position at beginning of year | 743 | 142 | 885 | 519 | 346 | 865 |
| Net position at end of year | $ 794 | $ 181 | $ 975 | $ 743 | $ 142 | $ 885 |

# Vermont 504 Corporation

(A Component Unit of the Vermont Economic Development Authority)

Combining Statement of Cash Flows

For the Years Ended June 30, 2015 and 2014

| *Dollar Amounts in Thousands* | For the Year Ended June 30, 2015 VT504 IRP Fund | VT504 SBA CDC Fund | VT504 Combined Total | For the Year Ended June 30, 2014 VT504 IRP Fund | VT504 SBA CDC Fund | VT504 Combined Total |
|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | |
| Interest received on loans receivable | $ 102 | $ 0 | $ 102 | $ 92 | $ 0 | $ 92 |
| Other revenues received | 2 | 138 | 140 | 0 | 144 | 144 |
| Operating expenses paid other than interest | (38) | (94) | (132) | 37 | (89) | (52) |
| Principal received on loans receivable | 108 | 0 | 108 | 151 | 0 | 151 |
| Principal disbursed on loans receivable | (269) | 0 | (269) | 0 | 0 | 0 |
| Net cash (used for) provided by operating activities | (95) | 44 | (51) | 280 | 55 | 335 |
| Cash flows from noncapital financing activities: | | | | | | |
| Interest paid on notes payable | $ (16) | $ 0 | $ (16) | $ (16) | $ 0 | $ (16) |
| Interfund non-operating revenue (expense) | 23 | 0 | 23 | 256 | (250) | 6 |
| Interfund transfer of loans receivable for cash | (110) | 0 | (110) | (362) | 0 | (362) |
| Proceeds from notes payable | 360 | 0 | 360 | 250 | 0 | 250 |
| Payments on notes payable | (50) | 0 | (50) | (24) | 0 | (24) |
| Net cash provided by (used for) non-capital financing | 207 | 0 | 207 | 104 | (250) | (146) |
| Cash flows from investing activities: | | | | | | |
| Interest received on cash and investments | 2 | 0 | 2 | 1 | 1 | 2 |
| Net cash provided by investing activities | 2 | 0 | 2 | 1 | 1 | 2 |
| **Net increase (decrease) in cash and cash equivalents** | **114** | **44** | **158** | **385** | **(194)** | **191** |
| Cash and cash equivalents at beginning of year | 720 | 158 | 878 | 335 | 352 | 687 |
| **Cash and cash equivalents at end of year** | **$ 834** | **$ 202** | **$ 1,036** | **$ 720** | **$ 158** | **$ 878** |
| Reconciliation of operating income (loss) to net cash (used for) provided by operating activities: | | | | | | |
| **Operating income (loss)** | **$ 28** | **$ 39** | **$ 67** | **$ (32)** | **$ 46** | **$ 14** |
| Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities: | | | | | | |
| Interest income on investment activities | (2) | 0 | (2) | (1) | (1) | (2) |
| Interest expense on notes payable | 18 | 0 | 18 | 16 | 0 | 16 |
| Provision for loan losses | 23 | 0 | 23 | 82 | 0 | 82 |
| Interfund transfer of loans receivable | 110 | 0 | 110 | 362 | 0 | 362 |
| Changes in assets and liabilities: | | | | | | |
| Loans receivable | (271) | 0 | (271) | (211) | 0 | (211) |
| Accrued interest receivable | (2) | 0 | (2) | 1 | 0 | 1 |
| Interfund accounts payable | 1 | 5 | 6 | 63 | 10 | 73 |
| Net cash (used for) provided by operating activities: | $ (95) | $ 44 | $ (51) | $ 280 | $ 55 | $ 335 |